

Russia's foreign policy: key regions and issues

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Russia's Foreign Policy: Key Regions and Issues

Edited by

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Russia and the West

Moscow Seeks to Renegotiate Relations with the West

By Andrei Zagorski, Moscow

Abstract

Russian foreign policy appears to be going in circles. Each new president begins by emphasizing – or repairing – the relationship with the West, only to end his time in office by questioning and jeopardizing it. It remains an open question if Putin's successor will seek a new accommodation with the West.

Under Yeltsin and Putin: Warm Beginnings, Difficult Endings

Boris Yeltsin declared in December 1991 that the new democratic Russia might consider joining NATO. Although the text of his address to the North Atlantic Cooperation Council was retroactively revised because the request met with a lack of understanding, Yeltsin's first term in office was characterized by his determination to see Russia accepted as a full-fledged member of the community of democratic industrialized nations; not least because the West largely had to underwrite his policies, as well as his re-election in 1996 in both political and financial terms. Yeltsin's second term in office was, however, overshadowed by a number of controversies, including the two Chechen campaigns, the eastward expansion of NATO, the dispute over the status of Kosovo and the war in former Yugoslavia, the future nuclear balance between Russia and the US, and, particularly, US plans to build a missile defense system. The legacy of Yeltsin's policy towards the West just before his resignation at the end of 1999 was a grim one. "Russia fatigue" was spreading in the West, and the US opposition complained that Russia had been "lost," while even Yeltsin himself talked about the advent of a "cold peace" at his last appearance before a Western audience at the OSCE summit in Istanbul in November 1999.

Yeltsin's successor, Vladimir Putin, began his tenure in 2000 by repairing the heavily-damaged relationship. Russia's economic stabilization, energetic communication with Europe, and especially the immediate announcement of almost unlimited support for the US in fighting terrorism after the September 11, 2001 attacks marked the beginning of a new course. For a while, former disagreements seemed to have moved far into the distance. But this was only a brief interlude before the disputes returned to center stage at the Munich Security Conference in February 2007.

It is remarkable that the issues currently at the center of controversy are the same as in the latter years of the Yeltsin presidency. The main stumbling blocks are still Kosovo, NATO's eastward expansion, conventional forces in Europe, US plans for missile defense, and policies towards Russia's neighbors. Similarly to Yeltsin's statements in 1999, Putin is threatening a confrontation with the West in his final year in office. While he has not used the term "cold peace," he has conjured up the prospect of a new arms race in Europe.

Admittedly, political parallels can often be misleading. The mere fact that two successive presidents have evolved in the same direction does not mean that this pattern is set in stone. It does not fully apply to Yeltsin's predecessor, Mikhail Gorbachev, the first and last president of the Soviet Union, though Gorbachev did ultimately make the same evolution. In his case, though, skepticism and criticism of the policies of the West, particularly of the US, only came to the fore after his tenure was disrupted by the 1991 coup and the breakup of the Soviet Union. Had Gorbachev remained in office for a longer period, it is conceivable that his views might have changed during his time in the Kremlin as well.

The question now is how Putin's successor will act. Will he, like Putin in the early days of his first term in office, conclude that no sensible modernization policy for Russia is possible in confrontation with the West? Will he therefore have to, and wish to, begin his tenure by repairing relations with the West? Or will he rather continue the policies pursued recently by Putin, which have been more critical toward the West? This question is all the more important because most, if not all, of the decisions pertaining to the current disputes will be made during the incumbency of Putin's successor (assuming that Putin will indeed cede power at the end of his second term, an outcome that still appears to be uncertain).

Return to the late 1990s

It is notable that the current difficulties between Moscow and the West are driven by almost exactly the same topics that shaped the disputes of the late 1990s. One prime example is the status of Kosovo. In 1998, during

the debate in the run-up to the war in the following year, Moscow argued vehemently that any solution apart from independence for Kosovo was possible on the condition that Belgrade agreed. Otherwise, Moscow threatened, it would veto any decision of the UN Security Council. The introduction of UN administration for Kosovo in 1999 only postponed the resolution of this question, which has now returned to the focus of the world's attention.

Arms control has also provoked contention. From 1999 to 2002, the dispute between Moscow and Washington over nuclear arms control escalated. The debate focused on US plans to establish a rudimentary missile defense shield and to abrogate the Anti-Ballistic Missile (ABM) Treaty concluded by the Soviet Union and the US in 1972 – an agreement that the Russian side had promoted as the cornerstone of the overall system of treaties governing the limitation and dismantling of strategic nuclear weapons. In 2002, Russia accepted the US abrogation of the ABM Treaty, calculating that it had sufficient means to overcome any potential US defense system. Now, however, Russia has reacted to US plans to deploy parts of the global missile shield in Poland and the Czech Republic within six or seven years by revisiting the controversy.

Already in the early 1990s, after the Warsaw Pact had been dissolved and particularly after the eastern expansion of NATO, Moscow felt that the Conventional Forces in Europe (CFE) Treaty put it at a disadvantage. Furthermore, since the beginning of the first Chechen campaign in 1994, the Russian military had felt constrained by the limitations imposed on its southern flank by the CFE Treaty. Over the course of two years in the 1990s, the necessary adaptations were negotiated. First, the “flank” provisions were loosened for southern Russia. In 1999, the adapted CFE Treaty was signed. While the adapted treaty did not take into account the Russian desire for rigid collective restrictions on the categories of heavy weapons that could be deployed by NATO members as the alliance expanded eastward, lower ceilings were agreed upon for individual states. Furthermore, Moscow received assurances of a special arrangement for Central Europe under which foreign (NATO) troops could only be stationed there if the national troop levels had been reduced accordingly.

The adapted CFE Treaty is not yet in force because the NATO states have linked its ratification to the implementation of Russia's long-overdue “Istanbul Commitments” – the withdrawal of its troops from Georgia and Moldova. Nevertheless, Moscow has little reason for complaints: The current 26 NATO members have 20 percent less manpower and equipment today than the treaty signed by the 16 NATO states in 1990 allowed them to maintain. The ratification of the adapted treaty by the NATO states has long been among Moscow's major stated policy goals; not least because the treaty is to be opened to admit other states such as the Baltic countries, which are now NATO members, but not signatories to the CFE Treaty. However, it is not only NATO's linkage with the “Istanbul Commitments” that has now convinced Moscow to suspend the application of the CFE Treaty as of December 12, 2007. The demands laid out by Moscow at the Special Conference on the CFE, held June 12–15, 2007, go far beyond these issues and are evidence that the Kremlin is aiming at a fundamental renegotiation of the treaty.

In doing so, Moscow is returning to proposals for which it failed to win support in the 1990s. The Russian government is seeking again to establish collective ceilings for the heavy weapons of an expanding NATO that would not exceed those of the “old alliance” as of 1990. Furthermore, it is aiming at having the flank restrictions for Russia lifted altogether.

Both topics – the US missile defense shield and the CFE Treaty – are seen in Moscow as being linked to the issue of NATO's eastwards expansion for two reasons. First, the Kremlin rejects NATO's open-door policy, which would allow former Soviet republics, including Ukraine and Georgia, to become NATO members as another challenge to the status quo. Second, NATO's eastward expansion is linked to the construction of US bases in Bulgaria and Romania and to the planned missile shield projects in the Czech Republic and Poland. These policies are seen as violations of the promise made by NATO states in the NATO-Russia Founding Act of 1997, according to which no substantial combat forces would be stationed in new member states. Now Russia is also aiming at a binding definition of the term “substantial combat forces” within the framework of the CFE Treaty.

Unlike in the 1990s, the relationship between Russia and the EU is also subject to controversy today. In addition to the highly politicized debate on energy security, pipeline routes, and Gazprom's success in buying into the networks supplying European gas customers, the focus here is also on Russia's desire to renegotiate the basis for its relations with the EU. By concluding a new partnership agreement, Moscow is obviously aiming to shake off the conditionality of the agreement that has been in force since 1997, which stipulated that progress in mutual cooperation is dependent on the implementation of political and economic reforms in Rus-

sia. The new agreement, the Kremlin hopes, would instead seal an unconditional global political partnership of equals between the two sides.

Not only are there noticeable parallels between the current controversies in relations between Russia and the West and the disputes of the late 1990s; there are also clear indications that Russia intends to reopen talks on the agreements that it accepted then but now seem disadvantageous, since Moscow agreed to them in the past decade from "a position of weakness." At the same time, however, it is obvious that Moscow continues to act defensively as a status-quo power that cannot maintain the status quo. This is clear, for example, in the case of NATO's eastward expansion, where Moscow is trying to hold the "red line" it drew in the 1990s. It also applies in the case of the vehement rejection of the US missile defense shield, which has nothing to do with the Russian missile arsenal as far as technology or defense policy is concerned, but certainly has the potential to make obsolete plans for cooperation on missile defense between Russia and NATO that have been discussed for years. In both cases, what is noticeable is Moscow's intention to renegotiate the fundamentals of relations with the US, NATO, and the EU. Putin's Russia clearly feels much more confident than Yeltsin's did.

Confidence Based on Oil at \$70 a Barrel

There is a difference between ruling a country that is the world's number one exporter of energy at a market price of \$70 per barrel of oil, and doing so at a price of \$14. This difference also shapes the self-awareness of the political class in Russia, which is now largely recruited from former members of the intelligence services and the military. The difference is to be found not least in the external perception of the country. An example is a recent CNN series on "Rising Russia" that aimed to present the changes the country has undergone in the past seven years.

There is only little now to remind one of the country that just ten years ago was "a consumer of security from the West's point of view," that was in transformation "from an authoritarian system with a planned economy to a democratic and free-market system and [from] the Soviet Union to a Russia that was trying to compensate for the loss of its status as a global power by foreign-policy escapades" and that was primarily characterized by political instability and a potential for chaos, according to Russia analyst Hans-Joachim Spanger. In Europe particularly, Russia is increasingly seen not just as an irreplaceable supplier of energy, but also as an indispensable, though not exactly uncomplicated partner in regional and global policy matters. No reasonable solution to any of the world's major problems seems feasible without Moscow's support, whether the issue be the final status of Kosovo, a settlement for the Middle East conflict, or negotiations concerning the nuclear programs of Iran or North Korea.

Thanks to Russia's current economic growth, flood of revenues from energy exports, and ability to pay off its debts, there is a new sense of confidence in the political class that is increasingly becoming aware of Russia's need to prevail and sustain itself in competition with the West.

All the talk about a "democracy deficit" in contemporary Russia, according to the Russian political elites, is only an exercise in political deception by the West. Such debates only aimed to "gain control over Russia's natural resources" by "weakening the state's institutions, its ability to defend itself, and its autonomy," according to remarks made by the chief ideologist of the Putin regime, Vladislav Surkov, in a speech before the Russian Academy of Sciences in June 2007. The newfound confidence of the political class (and the changed external perception of Russia) has caused Moscow to increasingly distance itself from the "other" Russia of Yeltsin. The country is no longer the weak and apathetic "sick man of Europe" forced to accept certain developments due to circumstances. Russia aims to return to the global stage and is trying to find its former strength, whether through the power gained by energy exports or in investment in a new generation of military technology.

The theory of a resurgent Russia nurtures the illusion that Moscow might be able to stop further changes in the European status quo and particularly in its immediate vicinity, and possibly reverse some of the concessions it was forced to make under Yeltsin. The aim of redefining relations with the West and Europe and to renegotiate the basis of this relationship is not at all incompatible with this theory. However, only little time remains for Putin himself to translate this wish into reality. Should his successor come from the immediate circle surrounding Putin (and where else would he come from?), will he wish and be able to continue this course, or will he attribute greater importance to repairing the relationship with the US and Europe? This question cannot be answered for another year. Nevertheless, it is clear that the answer depends not only on the personality of the successor; it also depends on the West's response to Russia's new self-perception.

Must Relations Between Russia and the West be Renegotiated?

There is every reason to rejoice in the fact that Russia is doing better than a decade ago. Global politics is well off without another “sick man,” especially a big one with nuclear weapons. There is no reason to believe that Russia, after a brief or longer interlude, will return to the political trajectory of the early Yeltsin years. At the same time, there is no reason to believe that the only “other” path will lead Russia to confrontation with the West and a new arms race. Its new self-perception and increased international standing will not suffice to catapult Russia back into the center of global politics. Conversely, a new deterioration towards an arms race or a Cold Peace is improbable not only because of Russia’s structural deficits. The reality of Russian politics is very different from the picture painted by official rhetoric. The ineffective pressure on Ukraine and Georgia as well as the failure of Moscow’s attempts to push Iran towards cooperation with the international community or to use its contacts with Hamas to win back a significant role in the Middle East peace process instead indicate the narrow limitations of Russia’s return to global politics.

While Russia’s resurgence is evident, it is far less powerful than is generally assumed, as Rajan Menon and Alexander Motyl correctly point out. What has changed is the fact that Putin is playing the strongman and that the increase of energy prices has supplied the political class with funds allowing them to act more confidently. But the new rhetoric is not enough to make Russia strong. Therefore, for the foreseeable future, the West will continue to have to deal “with a Russian petro-state that is weak, boisterous, and potentially unstable.” The challenge of a new self-perception among the Russian political class is not that “Russia is too strong to handle, but that it is too weak to make a reliable partner.” In this difficult phase of self-assertion, Moscow should not be unnecessarily alienated by “red lines” drawn by the West; at the same time, the latter need not concede to all of Russia’s demands, which are often perceived as diktats. If Moscow should decide in the coming year to withdraw from the CFE Treaty, that would certainly be regrettable. Moscow should not, however, be prevented from doing so at all cost. The only conclusion would be that despite its rhetoric, Moscow (rightly) has no problems with the US and NATO if it is prepared to give up the only instrument that restricts US deployments in Europe and of NATO forces in the new member states.

Translated from German by Christopher Findlay

About the author:

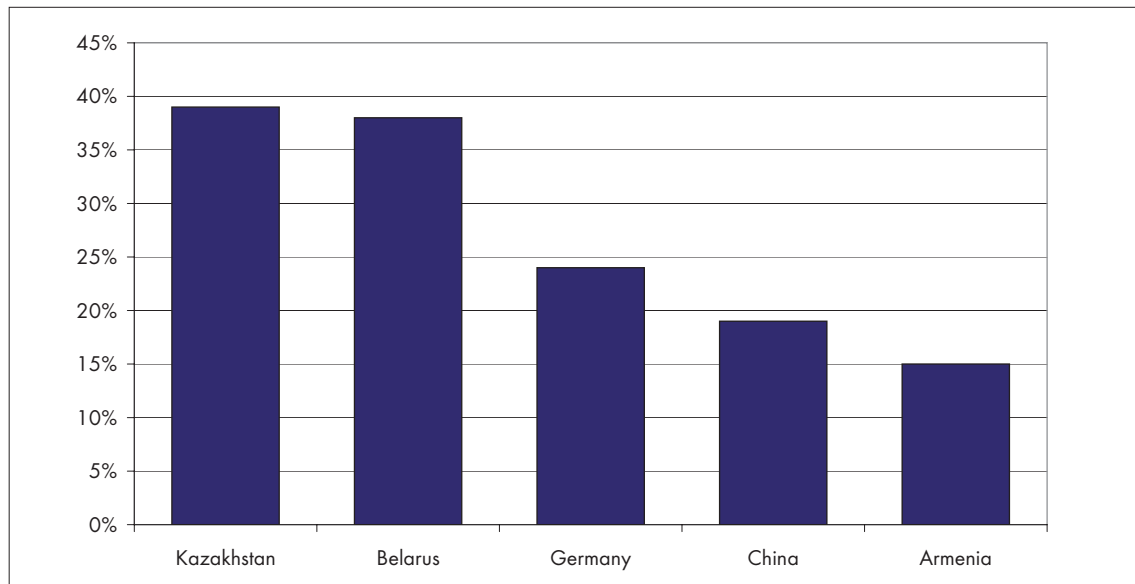
Andrei Zagorski is a leading researcher at the Center for War and Peace Studies of the Moscow State Institute of International Relations (MGIMO).

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- Vladislav Surkov, “Rossiiskaia politicheskaya kultura. Vzgliad iz utopii” [Russian political culture: An utopian perspective], <http://www.er.ru/news.html?id=121456>

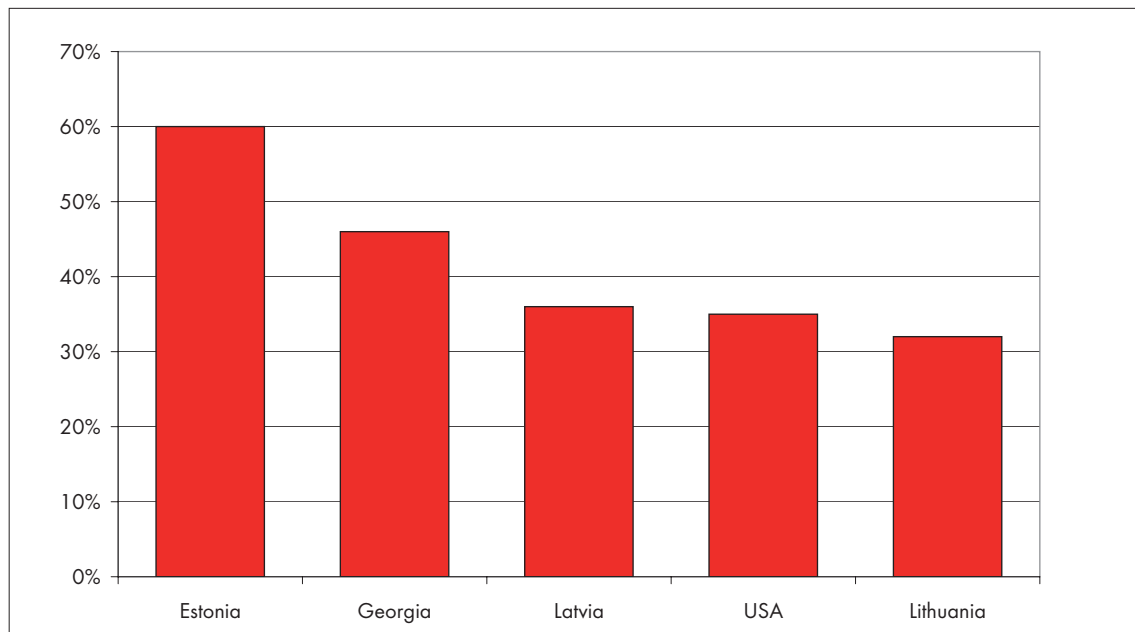
Russian Opinion Surveys: Friends and Enemies, International Relations

Name Five Countries that Could Be Called Friends or Allies of Russia (May 2007)



Source: <http://www.levada.ru./press/2007053003.html>, 31 May 2007

Which Five Countries are in Your Opinion the Most Hostile and Most Unfriendly in Relation to Russia? (May 2007)



Source: <http://www.levada.ru./press/2007053003.html>, 31 May 2007

Friends and Enemies of Russia (May 2007)

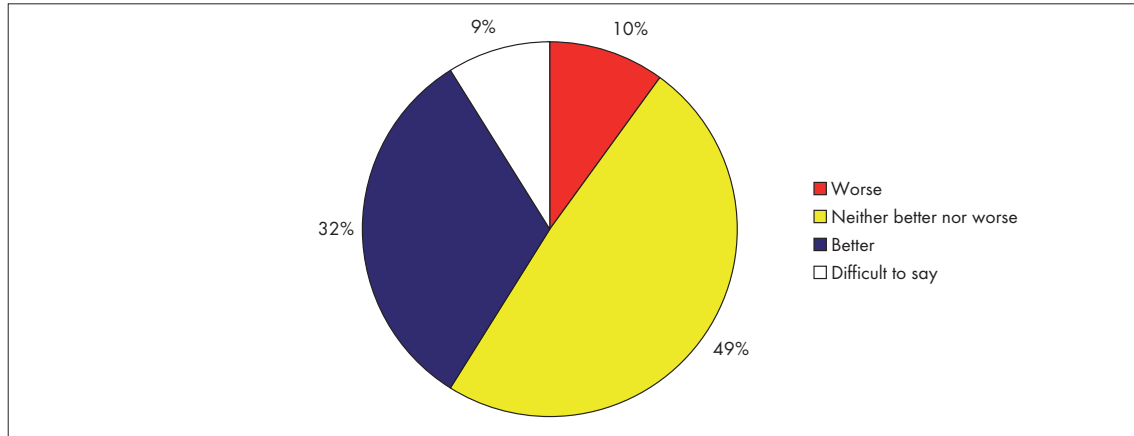
Name Five Countries that Could Be Called Friends or Allies of Russia

Which Five Countries are in Your Opinion the Most Hostile and Most Unfriendly in Relation to Russia?

	2007	2006	2005		2007	2006	2005
Kazakhstan	39%	33%	20%	Estonia	60%	28%	32%
Belarus	38%	47%	46%	Georgia	46%	44%	38%
Germany	24%	22%	23%	Latvia	36%	46%	49%
China	19%	24%	12%	USA	35%	37%	23%
Armenia	15%	14%	9%	Lithuania	32%	42%	42%
India	14%	15%	16%	Ukraine	23%	28%	5%
Ukraine	11%	10%	13%	Poland	20%	7%	4%
France	9%	8%	13%	Afghanistan	11%	12%	12%
Bulgaria	9%	10%	11%	Iraq	8%	9%	10%
Turkmenistan	8%	2%	2%	Iran	7%	7%	6%
Italy	8%	7%	6%	Belarus	5%	2%	2%
Tajikistan	7%	3%	3%	Azerbaijan	4%	4%	5%
Kyrgyzstan	7%	7%	5%	UK	3%	5%	2%
USA	6%	5%	11%	Moldova	3%	9%	2%
Uzbekistan	6%	6%	4%	Israel	3%	4%	3%
Finland	6%	6%	1%	China	3%	3%	4%
Azerbaijan	5%	7%	5%	Japan	3%	4%	6%
Japan	5%	6%	4%	Germany	2%	2%	3%
Moldova	4%	4%	2%	Tajikistan	2%	3%	1%
Poland	3%	4%	5%	Rumania	2%	2%	2%
Serbia	3%	4%	3%	Czech Republic	2%	1%	1%
Turkey	3%	3%	2%	Armenia	2%	3%	4%
Australia	3%	1%	3%	Bulgaria	1%	1%	0%
UK	3%	4%	3%	North Korea	1%	0%	1%
Israel	3%	3%	5%	Turkmenistan	1%	1%	1%
Iran	3%	4%	2%	Turkey	1%	1%	1%
North Korea	2%	3%	3%	South Korea	1%	0%	0%
Latvia	2%	1%	2%	Slovakia	1%	0%	0%
Slovakia	2%	2%	2%	France	1%	1%	0%
Egypt	2%	1%	2%	Kazakhstan	1%	2%	1%
Canada	2%	2%	1%	Uzbekistan	1%	2%	1%
Czech Republic	2%	2%	2%	Hungary	0%	1%	1%
Lithuania	2%	1%	1%	India	0%	0%	0%
Sweden	2%	3%	3%	Kyrgyzstan	0%	1%	2%
Georgia	1%	3%	2%	Finland	0%	1%	6%
South Korea	1%	2%	1%	Australia	0%	0%	0%
Hungary	1%	2%	3%	Egypt	0%	0%	1%
Rumania	1%	1%	0%	Canada	0%	1%	1%
Iraq	1%	2%	2%	Serbia	0%	1%	1%
Afghanistan	1%	1%	1%	Italy	0%	0%	1%
Syria	1%	1%	1%	Sweden	0%	0%	0%
Estonia	0%	1%	0%	Syria	0%	0%	1%
None	10%	13%	10%	None	2%	4%	5%
No answer	18%	15%	14%	No answer	17%	19%	15%

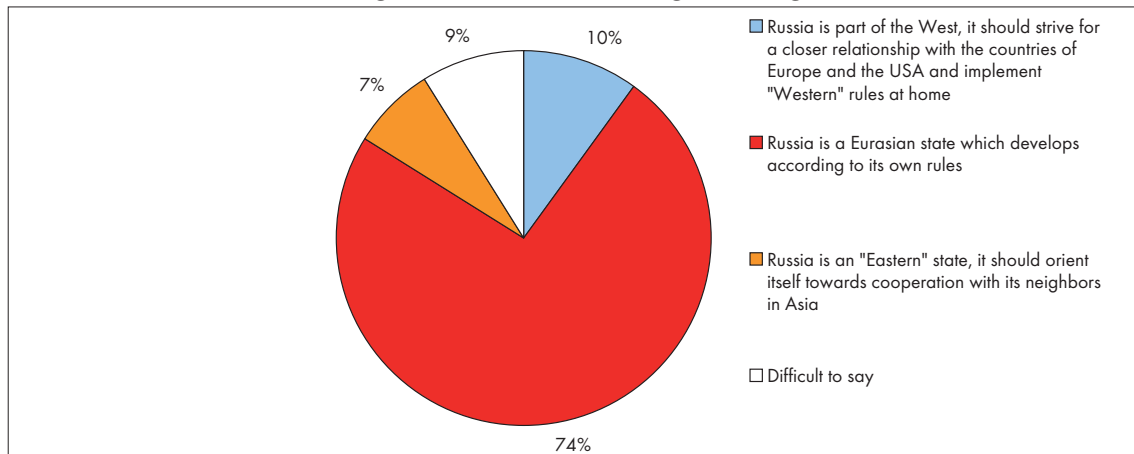
Source: <http://www.levada.ru./press/2007053003.html>, 31 May 2007

Are Relations Between Russia and the Majority of Other States Today Better, Neither Better Nor Worse, or Worse Than They Were During the Yeltsin Era? (August 2007)



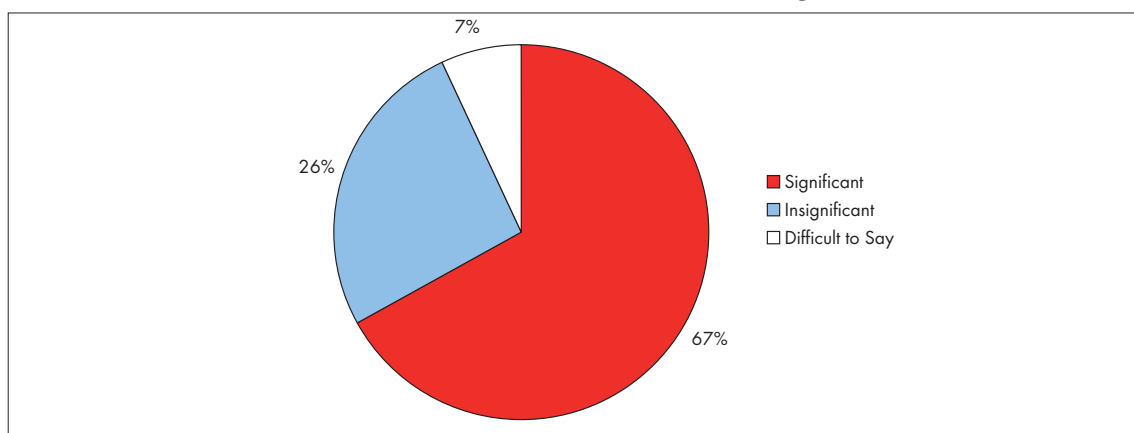
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With Which of the Following Statements Do You Agree? (August 2007)



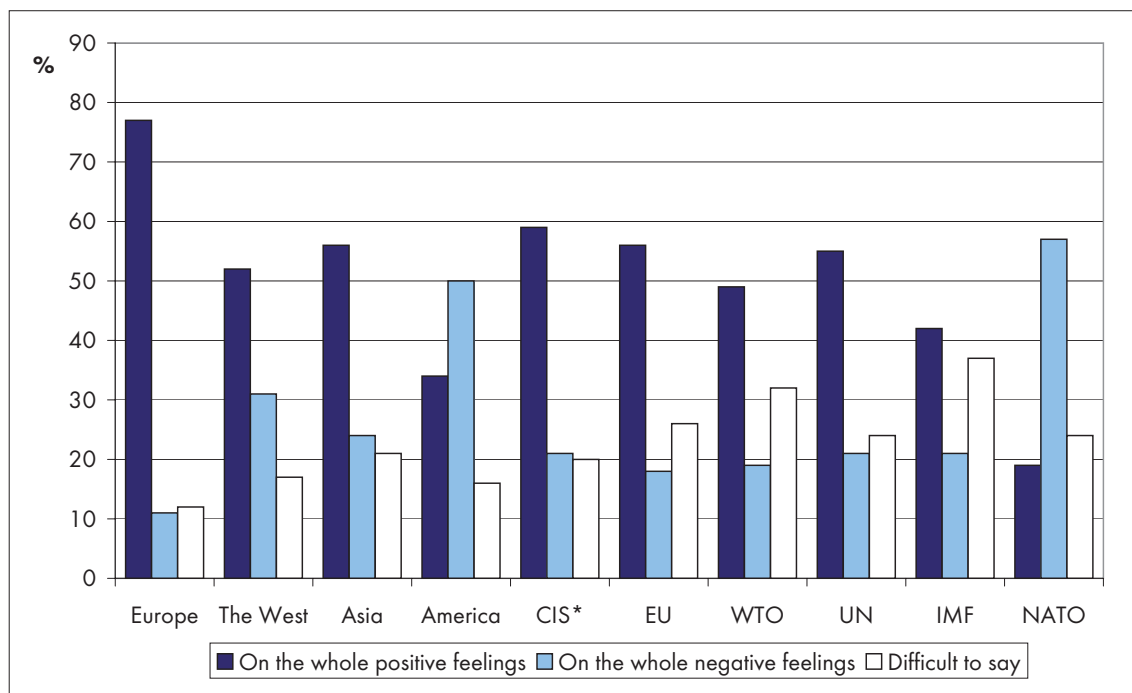
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What is Russia's Influence in International Affairs Today? (August 2007)



Source: <http://www.levada.ru./press/2007081001.html>, 10 August 2007

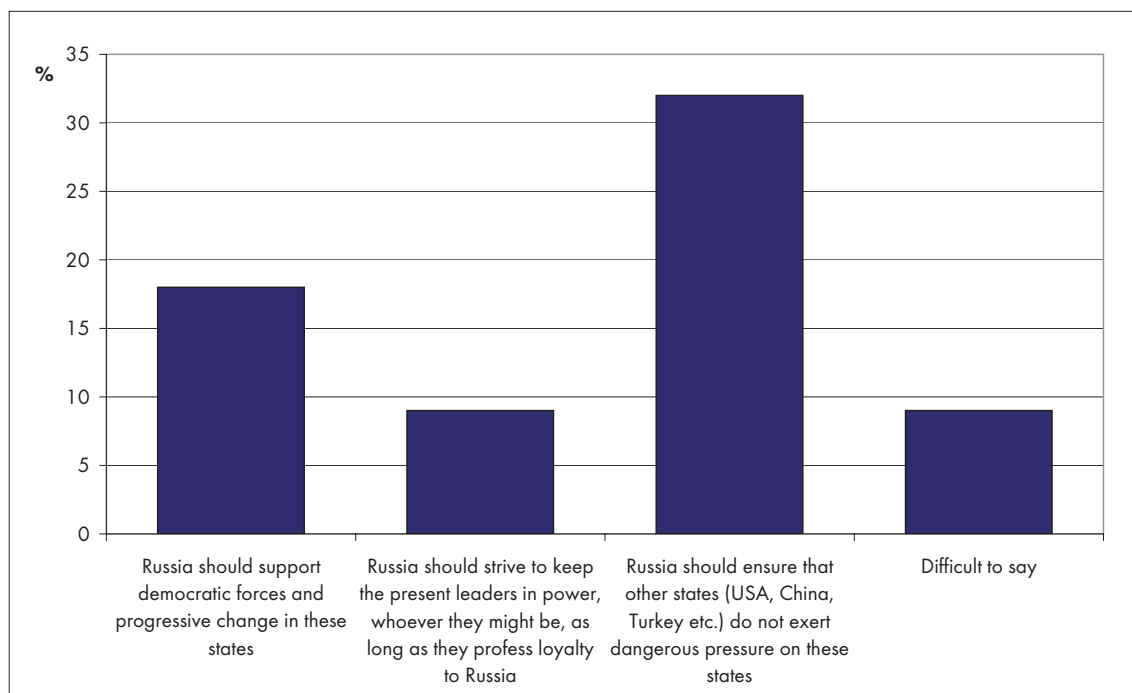
Which of the Designations Below Evoke Positive Emotions and Which Designations Evoke Negative Emotions? (one answer on every line) (March 2007)



* Commonwealth of Independent States

Source: <http://wciom.ru/arkhiv/tematicheskii-arkhiv/item/single/4208.html>; 16 March 2007

What Policy Should Russia Pursue Regarding the States of the CIS? (August 2007)



Source: <http://www.levada.ru./press/2007081001.html>; 10 August 2007

The EU and Russia: Stumbling from Summit to Summit

By Sabine Fischer, Paris

Abstract

Russia-EU relations are in crisis. The EU-Russia Summit on May 18 in Samara ended without tangible results, providing further evidence that both sides are drifting apart. The situation has not improved since then. By planting a Russian flag in a titanium capsule on the seabed under the North Pole, Moscow opened a new symbolic battlefield with "the West." However, mutual economic and political interdependencies make it very unlikely that a "New Cold War" will emerge. At the same time, both sides have to change and adapt their policies if they want to return to a constructive partnership.

Tough Times for EU-Russia Relations

Relations between the EU and Russia today are in very bad shape. The two sides' inability to open negotiations on the Partnership and Cooperation Agreement (PCA) during the May Summit in Samara was only the latest evidence of the mounting problems, which have accumulated in recent years. Commentators on both sides interpret the latest developments (not only in EU-Russia relations, but in the relationship between Russia and "the West" in general) as the possible beginning of a "New Cold War."

The German government, which had made the improvement and further development of relations with Russia one of the central goals of its EU presidency, finally had to accept a summit without tangible results. Repeating the experience of the Finnish presidency, Chancellor Angela Merkel had no choice but to announce relatively minor deals in the fields of trade and trans-border cooperation, while the burning problems remained unsolved. In contrast to preceding summits, however, both sides traded blows, openly demonstrating disagreements over political developments in Russia and the course of EU-Russian relations. With the Portuguese traditionally setting different geographic priorities for their EU presidency term, the meat issue between Russia and Poland unsolved and upcoming elections in Russia, it remains to be seen whether the parties will make much progress at the next summit in Mafra in the latter part of October 2007.

Bones of Contention

The concrete causes underlying the failure of the Samara Summit where the Polish-Russian meat conflict and the turmoil surrounding the movement of the Soviet war monument in the Estonian capital Tallinn at the end of April, shortly before Russia celebrated its traditional World War II Victory Day on May 9. The meat issue had strained relations between Russia and Poland since autumn 2005, but came to the fore of the European debate when Warsaw issued a veto against the opening of the PCA negotiations in September 2006. While Moscow insisted that Polish meat did not meet Russian import standards, the Polish side accused Russia of abusing trade relations in order to exert political pressure. Extensive mediation attempts by the Finnish and German EU presidencies did not succeed in softening the parties' positions. Until one month before the summit, Poland's hard-line approach toward Russia had little support within the EU. Some of the other Central Eastern European members, namely the Baltic States and the Czech Republic, voiced cautious support without, however, explicitly joining the Polish veto. Other member states criticized the veto, expressing concerns about stable relations with Russia.

Shortly before the summit, and fortunately for the Polish Government, the meat issue was replaced as the main bone of contention by a far more symbolic conflict between Russia and Estonia. The Estonian government's decision to transfer Tallinn's Soviet war monument to a military cemetery outside the city center provoked harsh reactions among ethnic Russians in Estonia and from the Russian government. After violent demonstrations in Tallinn, Russian youth organizations close to the Kremlin besieged the Estonian embassy in Moscow, forcing the Estonian ambassador to leave the country temporarily. At that point, shortly before and during the Samara Summit, the EU finally reached a common position. While reactions to the movement of the war monument had been rather ambivalent, displaying approximately the same cleavages as responses to the Polish-Russian meat conflict, the unfriendly treatment of an ambassador representing an EU member state finally forced the other member states to rally around Estonia and clearly criticize Russian actions.

Both the meat and the monument conflicts seem to be temporary phenomena. However, they reveal structural changes in Russian and EU policies, which strongly affect their bilateral relationship.

The EU Takes a Harder Line on Russia

The Eastern dimension of the EU's foreign policy has undergone significant changes since the 2004 EU enlargement. After an initial period of re-orientation, these changes have become more tangible since summer 2006.

Before 2004, EU member states could be divided into two groups regarding relations with Russia. One group, containing some of the bigger member states like Germany and France, emphasized Russia's economic importance and supported a pragmatic relationship safeguarding EU economic interests instead of criticizing authoritarian tendencies in the Russian political system. The other group, most explicitly represented by Great Britain, denounced anti-democratic tendencies and human rights violations in Russian domestic politics and regularly – although with little effect – spoke out in favor of a tougher approach towards Moscow. However, between 1992 and 2004, no EU member perceived an immediate security threat emanating from Russia. As a consequence, the debate about Russia within the EU almost completely lacked classical geopolitical and security considerations. This de-securitized discourse on Russia came to an end with the accession of the Baltic States, Poland and the Czech Republic. Central European states and societies share a traumatic and violent history with Russia, which leads them to an extremely critical attitude towards Moscow and to a policy of “containment” of Russian influence in Europe.

The inclusion of the Central European perspective shapes the overall European political process on two levels. The new EU members pushed for a more active EU policy toward the states adjacent to EU and Russian borders. Furthermore, they took a much tougher stance in direct relations with Russia, on a bilateral as well as on the EU level. The new members saw the “Orange Revolution” in Ukraine as a window of opportunity to accelerate the democratization of a key country in the so-called “common neighborhood” and its closer alignment with the EU. From their perspective, such a development promised not only a desirable spread of democratic values beyond EU borders, but also a significant improvement of their national security. Consequentially, the Baltic States and Poland pushed vehemently for strong EU involvement to support the democratic forces in Ukraine during the conflict over the presidential elections, and they succeeded. After the victory of Viktor Yushchenko, they strongly supported the new Ukrainian government's attempt to build a democratic regional coalition with Georgia and Moldova outside the Russian sphere of influence. Domestic developments in Ukraine after the March 2006 elections, when Yushchenko lost much of his power, and the parallel stagnation of Ukraine's policy of democratic regional leadership weakened the regional vector of the new members' eastern policy. On a bilateral level, however, the influence of the new members on EU policy toward Russia has become stronger than ever.

Thus, enlargement has added a new dimension to the Russia-policy of the EU, which is characterized by strong historical and security components. The new Central European members have effectively influenced the development of the EU's relations with its big eastern neighbor several times since 2004. As a consequence, it has become even more difficult for the EU members to forge a united position regarding Russia. Combined with the EU's inability to adopt a constitution since the failed referenda in France and the Netherlands in 2005, the rise of the new members has led to paralysis of the Union's eastern policy. Nevertheless, after the European Council in June there is some hope for improvement. The compromise on a new treaty (replacing the constitutional project) promises to bring more unity to European foreign policy making, potentially strengthening the EU's position vis-à-vis Russia. However, the ultimate outcome of this project depends on further intergovernmental negotiations within the EU and its future remains uncertain.

Russia Has Less Respect for the EU

Russia's foreign policy has evolved in recent years as well. A new Russian self-consciousness as a global actor, an “energy superpower” and center of gravity in a multi-polar world shaped these changes. This development was accompanied by a changing image of the EU, which forms the basis of Russia's policy towards Brussels and the EU member states.

The *Russian Federation Foreign Policy Review*, published by the Russian Ministry of Foreign Affairs in March 2007, sheds light on Russia's current understanding of the EU. Economically, Russia still sees the EU as its most important partner. However, on the political level, the Review emphasizes bilateral relations with individual EU members. Not surprisingly, Russia particularly seeks to develop ties with countries that advocate a pragmatic Russia policy within the EU and figure as Russia's most important economic partners.

This policy marks a shift in the way the Russian elites perceive and talk about the EU. During the 1990s, Russia's leaders did not see the EU as an independent political actor on the international stage. However, at

the beginning of his first term, Putin made economic and political relations with the EU his top priority, thus signaling Russia's new recognition of it as a political actor. At the same time, the EU expanded its foreign policy influence by further developing its Common Foreign and Security Policy (CFSP) and preparing its eastern enlargement, which boosted its political weight in the post-Soviet space. For a period of three to four years, Moscow's foreign policy elites seemed to be getting used to the idea that supranational institutions in Brussels could play a role independent from the member states' capitals.

Now, however, Moscow is less inclined to view the EU as an important actor. The reasons for this loss of interest are partly to be found within the EU, namely in the constitutional crisis and the paralysis of decision-making processes described above. But the shift also is a function of the fact that Moscow, according to its new self-understanding as a global power, claims to act with utmost independence. The harmonization of values and norms, which is at the core of EU identity and foreign policy, is contradictory to this concept. A third reason for the Russian elite's downgrading of the EU's status is the Russian leadership's changing understanding of global politics. The perceived decline of U.S. capacity to shape international developments according to American interests broadens Russia's room for maneuver. These two developments are perceived as mutually reinforcing and weaken, from a Russian perspective, the EU as a supranational actor. As a result, bilateralism is now the dominant approach in Russia's relations with the EU and its member states.

A Difficult Global Context

The global context of EU-Russian relations is reinforcing the growing distance between the two sides. This dimension has been gaining importance in recent years for several reasons: The U.S. has intensified its activities on the territory of the former Soviet Union in the framework of the global fight against terror – and by doing so has provoked increasing disapproval from Russia's leaders. Moscow is also concerned about the efforts of some of the Central Eastern European EU members to build up close relations with the U.S. The ongoing debate about deploying parts of an American global missile defense system in Poland and the Czech Republic has proved this once again. It has fuelled the historical conflicts between Moscow and its western neighbors, and added to the fragmentation of the EU's Russia policy. Additionally, Russia's new self-understanding, together with its changing perceptions of the EU and the U.S., produce a greater readiness in Moscow to confront Washington on a global level. During Putin's first term, the EU seemed to replace the US as the focal point of Russian foreign policy, after the heavily U.S.-oriented Yeltsin years. Now, Russia has returned to a "U.S.-first" policy, without, however, necessarily striving for cooperation and mutual benefit. This new approach does not take into consideration the EU's transatlantic sensitivities. Global conflicts like Kosovo, Iran, and the missile defense system, in which Russia and the U.S. find themselves on opposite sides of the political fence, thus have an immediate impact on relations between Russia and the EU.

What Comes Next?

The current crisis does not imply a "failure" of Russia-EU relations. The assumption that a "New Cold War" is looming on the horizon between Russia and "the West" is simply wrong. Political and economic interdependencies alone, which have constantly been growing between Russia and the EU, but also the U.S. since 1992, do not allow for mutual isolation of both sides. The context of a globalized world, in which these interdependencies evolve, also prevents renewed isolation.

The current crisis is not the first, and maybe not even the worst, in the EU's relations with Russia. Surprisingly, historical memory does not seem to reach back to the quarrel between Russia and "the West" over the Kosovo War in 1999, which was solved not the least thanks to Putin's pragmatic approach before and after the terrorist attacks against the United States in September 2001. Nonetheless, Russia and the EU face a period of serious stagnation and conflict in their relationship, which is very unlikely to end before the presidential elections in Russia in March 2008.

Improving EU-Russian ties depends on a number of factors. Moscow has to find a constructive basis for its relations with the new EU members. Developments before and during the Russia-EU Summit in Samara made it very clear that the Central Eastern European member states have sufficient weight to influence decision making in Brussels to Moscow's detriment. Russia has clearly overestimated the potential of its bilateral approach, and this overreach is likely to repeat itself in the future.

The current EU with 27 members has to find a common position on what kind of relationship or partnership it wants to have with Russia. Achieving such a united position has only become more complicated as the union has grown. Furthermore, the EU should be aware of the fact that its policy can have geopolitical impli-

cations, which might not be intended collectively, but can be perceived as a potential threat by Russia. The EU also has to recognize the limits of its influence on domestic developments (not only) in Russia and put this in due proportion to its goals. The EU must also take into account the global/transatlantic context of EU-Russia relations.

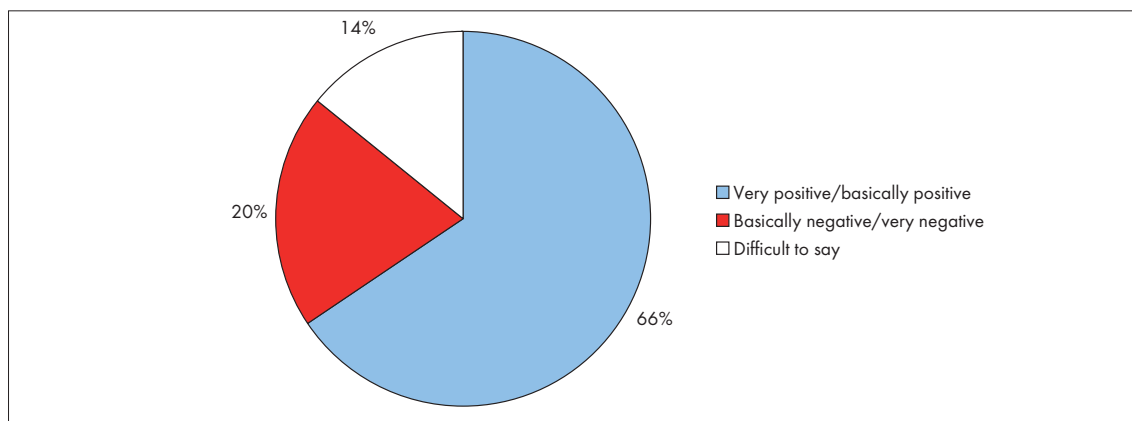
Quick solutions are not on the horizon and policy makers should think in terms of years rather than months. At the same time, neither side can afford to turn its back on the other. Therefore, relations between Russia and the EU will not come to an end or fail, but develop more slowly and remain characterized by recurrent conflict in the foreseeable future.

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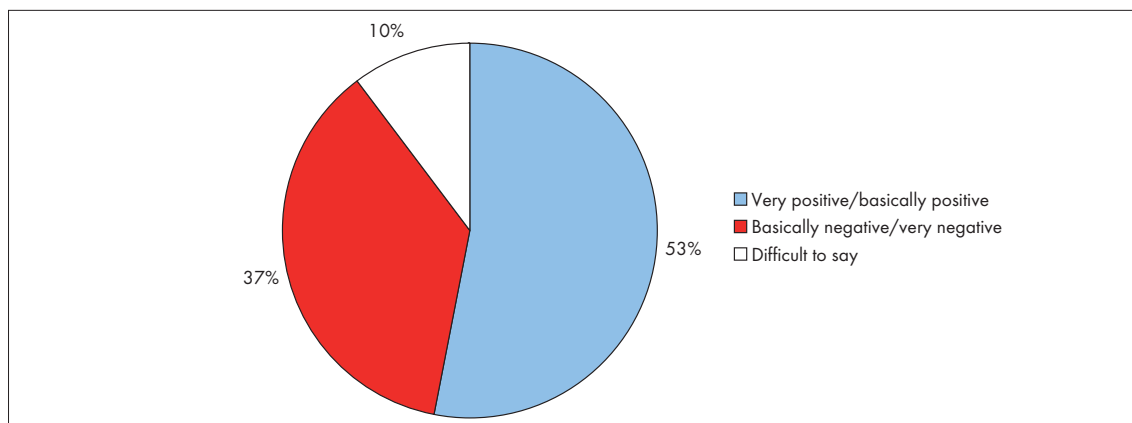
Russian Opinion Surveys: Attitudes Towards the EU and the USA

On the Whole, What Are Your Feelings Towards the European Union? (August 2007)



Source: <http://www.levada.ru./press/2007081001.html>, 10 August 2007

On the Whole, What Are Your Feelings Towards the USA (August 2007)?



Source: <http://www.levada.ru./press/2007081001.html>, 10 August 2007

Prospects for Developing NATO – Russia Relations

By Andrew Monaghan, London

Abstract

The NATO-Russia relationship has gone through an important evolution. Following the establishment of the NATO-Russia Council, a bureaucratic framework has been built up in which cooperation can develop across nine areas of mutual interest. Yet political tensions have become increasingly evident in the last few months. These difficulties have emerged against a background of frustration with the progress of practical relations. As the relationship becomes ever more complex with new problems adding to old tensions, both sides need to commit to developing the relationship more actively.

Progress and Problems

NATO – Russia relations have come a long way. From the regional confrontation in northern and central Europe of the Cold War years, the relationship has since passed through controversy and then cooperation in south eastern Europe to one of a more global aspect. Relations and even collaboration extend to the Mediterranean, the Trans-Caucasus region and Central Asia. Indeed, instead of being locked in confrontation, NATO and Russia are now partners, linked by the NATO-Russia Council (NRC). Established in 2002, the NRC meets regularly and provides the trappings of equality for Russia in the relationship, bringing together 27 members, rather than 26 + 1. Both sides have now established a presence with the other, given the Russian mission to NATO headquarters and an office at Supreme Headquarters Allied Powers Europe (SHAPE) and NATO's Liaison Mission and Information Office in Moscow.

The NRC's five-year anniversary provides an opportune moment to evaluate the progress of this evolution, especially given the tensions that have become all the more apparent this year, repeatedly noted by analysts and the media in both NATO member states and Russia. Western commentators depict the development of a new Cold War, pointing to Russia's aggressive Soviet-style rhetoric, while Russian media sources describe the relationship as a "poor peace" and "bitter friendship." Official statements are also more frank than usual. Though stressing the need for cooperation, NATO Secretary General Jaap de Hoop Scheffer recently noted Russia's confrontational tone and the need to "lower the volume" in NATO-Russia diplomacy. For his part, Russian Foreign Minister Sergei Lavrov noted both the successes and problems in the evolution of relations and stated flatly that the work ahead would not be easy. Disagreements over the status of Kosovo, the Conventional Forces in Europe (CFE) Treaty, US ballistic missile defense plans, and Russian statements about re-directing its missiles at sites in Europe illustrate the difficult agenda.

This article traces the evolution of the relationship, looking first at the progress made and some of the cooperation achieved before turning to the difficulties, which are both political and practical in nature. The key point to emerge is that though the difficulties are both numerous and high profile, the achievements made are important steps forward which could not have been envisaged just a few years ago. Though the partnership is uneven across the different areas of cooperation, the relationship is now on a different footing compared to the years of confrontation. Moreover, despite significant differences over several important issues, there is no ideological gulf between NATO and Russia as there was during the Cold War and there is an established mechanism for discussing problems.

NATO-Russia Cooperation

The NRC provides the basic framework for a broad range of cooperative programs across nine areas. Progress has been made in all nine areas, particularly in military-to-military cooperation, albeit to varying degrees in others. In recent times, there has been visible progress in theatre missile defense (TMD), with a series of yearly command post exercises and exchanges of information and ideas between NATO and Russian experts leading to the development of a common operational doctrine. Additionally, there has been cooperation in civil defense and emergency management and nuclear munitions security, with joint exercises being held in both areas.

The two sides have also cooperated in submarine search and rescue. A framework agreement in this area was signed in 2003, and Russia subsequently participated in the major NATO exercise Sorbet Royal in the Mediterranean in 2005. Russia plays a part in the NATO-led Submarine Escape & Rescue Working Group. Indeed this framework provided the basis for the UK-led team which rescued the Russian submersible off the coast of

Kamchatka in 2005, one of the high points of both UK and NATO military cooperation with Russia. Russia is also contributing to NATO's Operation Active Endeavour, naval operations in the Mediterranean to demonstrate NATO resolve and solidarity. Such cooperative measures – this list is by no means exhaustive – provide an important background to understanding the current situation.

NATO-Russia Problems

There are, however, a complex range of problems, both conceptual and practical, which have limited the progress of the relationship. Indeed there is some disappointment among important constituents on both sides with the extent of the achievements to date. Several “direct” problems in the NATO-Russia relationship have been enflamed further by a series of “indirect” problems in the broader context which have become part of the NATO-Russia dialogue. Indeed both direct and indirect problems are serving to exacerbate each other: disappointment with the slow and uneven progress in the relationship spills into the wider international situation; tensions in the wider international situation serve to entrench and perpetuate direct problems.

Key small, but nonetheless important, practical problems hindering the development of the NATO-Russia relationship include linguistic, budgetary and technical constraints. There are too few translators to facilitate the joint exercises, reflecting a wider shortage of personnel on both sides who speak the relevant languages. There are also differences in equipment standards, training techniques, and doctrinal assertions between NATO and Russia which have affected interoperability.

Though clearly each side is important for the other, each has a number of other important priorities, some of which have tended to push the development of the NATO-Russia relationship into the background. NATO, for instance, is deeply involved in Afghanistan and is attempting to establish a more effective relationship with the European Union (EU).

Moreover, NATO is also still undergoing important internal transformation. While this transformation in itself absorbs considerable attention, importantly it also means that Russia is becoming increasingly a priority for NATO. NATO's enlargement to include new members from eastern and central Europe has meant that the concerns these states have about Russian policy become part of NATO's agenda. The arrival of the new members has not been a wholly positive development for the relationship, given that it has brought the tensions that exist between Russia and these states to the NATO-Russia agenda. Furthermore, it has served to highlight the differences within NATO about how to deal with Russia. A number of member states press for a more robust, critical approach towards Russia, while others seek more cooperative relations with it. This lack of consensus within NATO creates a practical difficulty for the development of the relationship: without consensus, NATO lacks effective policy-making with regard to the relationship. A lack of coherence on NATO's part thus serves to weaken the functioning and development of the relationship. The inability to formulate a coherent policy also provides ammunition for those in Russia who argue that NATO is more about talking than action and therefore not a major priority to be actively pursued.

For its part, Russia, though attempting to re-establish itself on the international stage, is still preoccupied by many domestic issues, including economic development. Moreover, Russian elections are approaching, both absorbing political attention and slowing the development of foreign relationships. The Russia electoral cycle is beginning to pose other problems for the development of NATO-Russia relations because it highlights the fact that apart from a handful of individuals at the summit of the decision-making executive, there are few constituencies within Russia that really support such a relationship. The Russian Defense White Paper of 2003 illustrated well the ambiguity within the Russian military establishment about NATO. While partnership with NATO and the NRC is emphasized, and large scale war with NATO is excluded from the list of likely conflicts, NATO is still considered by many in the Russian military establishment to pose a threat. There is also serious opposition to NATO among political and public circles, and its image is still associated with that of the enemy. Such perceptions become particularly salient as Russia heads to the polls: the increasing rhetoric from Moscow about the international situation and Russia's foreign relations is largely aimed at a domestic audience and connected to securing votes. Moreover, the point that it is only a rather narrow section of the Russian establishment that seeks to develop cooperation actively with NATO signals NATO that the majority of Russians are not really interested in developing a relationship and are simply treating NATO as an international actor rather than a real partner.

It is against this combination of progress and disappointment and a relationship structure that is not fully supported by either side that a number of unresolved political problems have come to the fore – some of which are new, some of rather longer heritage.

Though Russian officials reacted favorably to NATO's Riga summit declaration, Russian opposition to elements of NATO's transformation continues to stand out. First, NATO enlargement is extremely unpopular in Russia. Russia has objected to previous rounds of enlargement and still opposes the development of NATO infrastructure on the territory of new member states. Further enlargement, and particularly the discussion of potential membership for states such as Ukraine and (especially) Georgia, seems particularly fraught with complexity for the NATO-Russia relationship. Second, though initially supportive of NATO operations in Afghanistan, many in Russia question and do not accept the increasingly active role that NATO has adopted internationally, particularly its operations outside Europe, arguing that NATO is simply a tool to facilitate US unilateralism on the international stage. This wide-ranging opposition has raised questions about the desirability of developing cooperation and therefore interoperability: where would such cooperation be possible? If some Russians have argued for peacekeeping cooperation in areas of the former Soviet Union, many oppose such efforts, some vehemently. If it is not possible to find areas to cooperate, why enhance interoperability?

Likewise, there has been an extension of the old agenda into new problems. Enlargement is associated with democratization – and thus increasingly a conceptual difference between NATO and Russia. De Hoop Scheffer recently challenged Moscow's objections to NATO enlargement, questioning why Russia should object to the rule of law and democracy approaching Russian borders. Furthermore, the NATO-Russia relationship is being drawn into complex international issues such as the US missile defense shield and energy security which represent important risks for the development of relations. Energy security particularly has been brought on to NATO's agenda as a result of concerns among some member states about Russia's role in supplying global energy needs. Though there is potential for cooperation, for instance in civil defense and emergency management, there are also concerns in Russia about the use of NATO military assets and the role NATO might play.

Conclusions

The relationship currently has a rather paradoxical appearance. Bureaucratic relations have been developing and the foundation for a partnership exists. Indeed there has been some important military cooperation. This, it should be remembered, is in itself a major step forward given the longer term historical context.

Yet, alongside these accomplishments, there are several important political tensions which can stall or reverse this progress, and relations have clearly become more complicated in 2007. Moreover, to judge by official pronouncements, both sides are taking a rather passive approach to the relationship: each side places the emphasis for relations on the other. NATO officials note that this partnership can go as far as the Russian government is prepared to take it. Recently, Lavrov stated that the limits of cooperation will "depend on the course of NATO's own transformation." Both sides seem to believe that their own actions in the relationship are sufficient and that the other needs to do more.

But to continue to develop the relationship – and make it bear positive fruit – both sides must take a more active stance and make positive contributions. Progress requires more resources and more effective use of them: as note above, the lack of language skills should be remedied. Politically, both sides could further clarify their agendas regarding the other; currently each side seems to be either not explaining or talking past the other regarding its intentions. If NATO's transformation has not been clearly understood in Russia, it is also the case that NATO, broadly speaking, does not understand Russian frustrations.

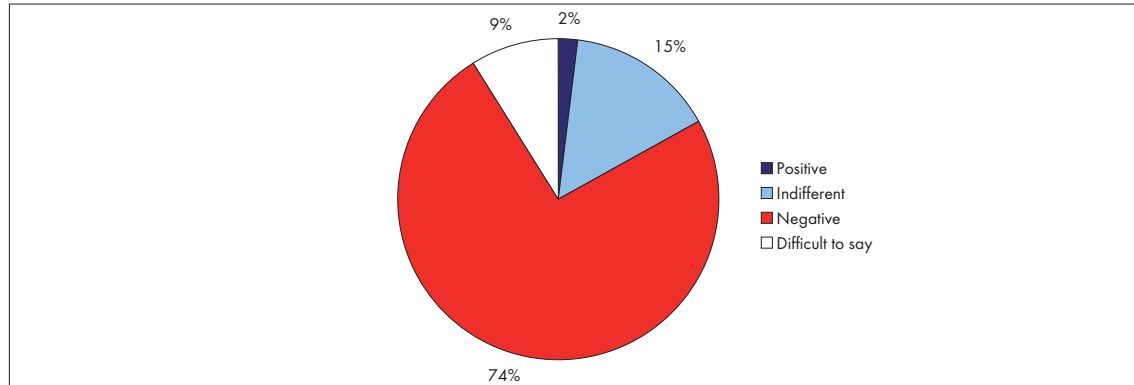
The important point for both sides in the immediate future is to protect the institutional structure built up so far and not let political tensions undermine the progress made. The NRC was established to facilitate dialogue. As the NATO Secretary General has stated, it is a forum not only for agreement, but also for serious, open and frank discussion on issues about which NATO and Russia do not agree. The mechanism must be used to calm tensions and prevent any over-reaction to them. Accomplishing these goals will not be easy since the two sides must manage both the old agenda of unresolved problems and also a complex new agenda at a time of considerable mutual misunderstanding.

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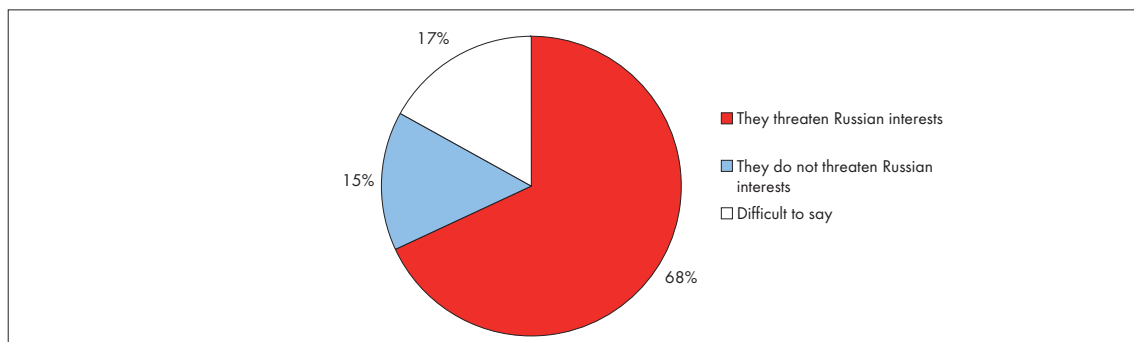
Russian Opinion Surveys: On the Plans of the USA to Station Anti-Missile Systems in Eastern Europe

What is Your Attitude Concerning the Plans of the USA to Station Anti-Missile Systems in Eastern Europe - Positive, Negative or Indifferent? (May 2007)



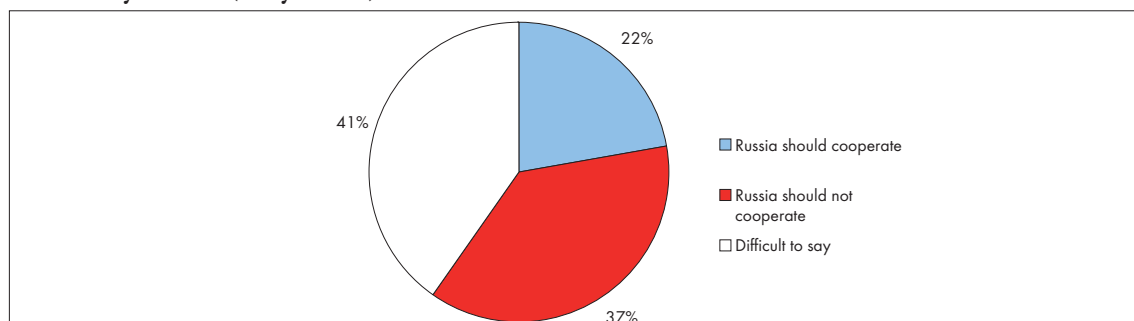
Source: http://bd.fom.ru/report/cat/frontier/international_relations/cold_war/nato_east/d071823, 3 May 2007

In Your Opinion, Do the Plans of the USA to Station Anti-Missile Systems in Eastern Europe Threaten Russian Interests? (May 2007)



Source: http://bd.fom.ru/report/cat/frontier/international_relations/cold_war/nato_east/d071823, 3 May 2007

The USA has Suggested that Russia Cooperate with the USA in the Area of Anti-Missile Systems. In Your Opinion, Should Russia Cooperate with the USA Concerning Anti-Missile Systems? (May 2007)



Source: http://bd.fom.ru/report/cat/frontier/international_relations/cold_war/nato_east/d071823, 3 May 2007

Russia and Central Asia

Russia and Turkmenistan

By Aleksei Malashenko, Moscow

Abstract

The relationship between Russia and Turkmenistan revolves around natural gas. The death of President Saparmurat Niyazov in January has led to a “thaw” inside the country forcing Russia to react to retain its influence, if not its monopoly on Turkmen gas exports. Now Turkmenistan is demanding a higher price for its gas, particularly given the profits Russia makes from sales to Ukraine and the West. President Gurbanguly Berdymukhamedov is pursuing separate pipeline projects that could link his country directly to China and to Europe without Russian participation. Whether Turkmenistan has the capacity to supply everyone who wants to buy its gas remains a mystery. How Turkmenistan develops its gas relations with potential new customers will determine its place in the Shanghai Cooperation Organization and the region's larger political economy.

Relations Based on Gas

Russian-Turkmen relations have always been stable. Russia was sympathetic to former President Saparmurat Niyazov's domestic policies, did not condemn him for the creation of a despotic regime, or intervene on the basis of protecting human rights. Russia “did not notice” the presence in Turkmenistan of opposition-dissidents, many of whom, after fleeing the tyranny, settled in Moscow and tried to draw the attention of the Russian authorities to the situation in their homeland.

The Kremlin also avoided asking delicate questions about the situation in Turkmenistan of the Russian and Russian-speaking population, which was increasingly deprived of its rights, opportunities to preserve culture and, ultimately, the ability to leave the country.

After Niyazov's death in January 2007, the future of Russian-Turkmen relations became a topic of discussion not only in Moscow and Central Asia, but everywhere there was interest in the fate of Turkmenistan's natural gas. This gas – its reserves, production, and transportation – were and remain at the center of Russian-Turkmen relations.

How will these relations develop and what can we expect in the future?

Ashgabad Driving Change

Most importantly, the impulse for change is coming from Ashgabad rather than Moscow. The Kremlin would benefit most from retaining the status quo. Russian politicians and businessmen had adapted to the now deceased Niyazov, usually called Turkmenbashi, meaning “father of the Turkmen people,” and had learned how to work with this extravagant eastern despot. He was predictable!

The new president of Turkmenistan Gurbanguly Berdymukhamedov is introducing a degree of liberalization in the country. In Moscow, his policy is dubbed the “Turkmen thaw,” referencing Nikita Khrushchev's rule after the death of Stalin. He has granted greater access to the Internet, restored ten years of education for young people, promised to open branches of several Russian universities in his country, and restored pensions. Turkmenbashi had reduced education by one year and cancelled pensions, saying that adult children should take care of their parents. Next year allocations will be increased for healthcare and education. The new president released from prison 11 political prisoners accused of participating in an attempted coup on November 25, 2002. Additionally, he has slowly reduced the influence of Niyazov's personality cult: taking down some statues and removing his small on-screen profile from all television broadcasts.

In foreign policy, the new leader has begun to move away from the notorious “Turkmen neutrality,” which meant the complete isolation of the country from the external world. He has made the country more open, intensively met with foreign politicians at home and abroad.

Berdymukhamedov's second international visit, in April 2007, was to Moscow. The first he made to Saudi Arabia as a devout Muslim, which above all confirmed the Islamic identity of his country. In the early visit to Moscow, many saw a symbolic preservation of the previous relations, continuing the course which both Russia and Turkmenistan had supported. Naturally, the main topic of conversation was the fate of Turkmen gas.

Turkmenistan Demanding More for Its Gas

In 2005 Turkmenistan had signed a contract with Gazprom, according to which this Russian company remained the exclusive importer (and re-exporter to Ukraine) of gas until 2028. Additionally in 2003, Putin and Niyazov reached an agreement, according to which in the course of 2006–2010 Russia would receive from Turkmenistan 50 billion cubic meters of gas each year, essentially all of the Turkmen gas exports. According to these plans, deliveries will grow from 42–45 billion cubic feet to 80–90 billion cubic feet. Within the framework of this agreement, the price for Turkmen gas rose from \$44 to \$100 per thousand cubic meters. Whereas earlier Russia paid half of the price through barter deliveries, now it pays the entire price in cash.

Of course, with such long term contracts, the price cannot be fixed and it is likely to grow in the future. It is only a matter of time before the price rises, particularly since Turkmenistan is unhappy that Gazprom sells Turkmen gas to Russia for \$100 per thousand cubic meters, while Russian gas goes for close to \$300 in Europe. Turkmenistan is not the first country to point out the great disparity in prices. Kazakhstan, Russia's main partner in Asia set this precedent and did not rule out the possibility of raising the price for its gas from \$100 to \$160.

In the summer of 2007, Russia laid its trump card on the table – the expansion of the Caspian gas transportation system with the renovation of existing and the building of a new pipelines running along the Caspian shore, for which an agreement should be signed this year. If Moscow's goals are realized, Kazakhstan should join Russia and Turkmenistan in constructing and using the pipeline. The Russians hope that Kazakhstan's participation will reduce that country's interest in the Trans-Caspian Gas Pipeline, which is centered on the construction of a gas pipeline across the Caspian Sea bed, and Nabucco projects (see more on this below).

Within the framework of the Caspian gas pipeline project, Russia monopolizes the purchase and import of Turkmen gas. However, the project will only work with the good will of Kazakhstan, which initially expressed sincere enthusiasm, but since then has voiced some reservations. Kazakhstan, which is gradually becoming the main investor in Central Asia, has long since positioned itself as an independent political and economic force, emphasizing that it is not a satellite of Russia. In September 2007, Kazakhstan confirmed its participation in the project and even requested that Turkmenistan speed up the preparation of the related documents (the head of the Turkmengaz state company said there would be no delays on his side). However, Astana stresses that it agreed to this project exclusively on the basis of its own national interests and not according to "requests from Russia."

After numerous negotiations about Russian-Turkmen gas cooperation, including those with the participation of Putin, former Prime Minister Mikhail Fradkov, Foreign Minister Sergei Lavrov, Gazprom head Aleksei Miller, and others, it became clear that despite the smile of the new Turkmen leader and his assurances of friendship, Ashgabad and its Central Asia neighbors would conduct a multi-vectored foreign economic policy. For Russia, this would mean the loss of the monopoly right to import Turkmen gas.

Numerous Export Routes

Before his death, Turkmenbashi had begun to think about the diversification of gas exports. He gave first priority to the "Chinese project." In the spring of 2006, during his visit to Beijing, Turkmenbashi promised to deliver to China 30 billion cubic meters of gas and even named 2009 as the year when deliveries would start. He supported his promise with the offer to build a gas pipeline which would travel through Uzbekistan and Kazakhstan. Looking at the map reveals the impressive size of the project: its overall length is 7,000 km, including 188 km of pipeline in Turkmenistan, 530 km in Uzbekistan, 1,300 km in Kazakhstan, and 4,300 km through China.

During the 1990s, Turkmenistan had considered the "senseless idea" of constructing a gas pipeline from Turkmenistan through Afghanistan to Pakistan and possibly farther to India. The price of the pipeline varied from \$1.5 to \$4 billion. The company UNOCAL was prepared to cover most of the costs. At that time in Ashgabad, emissaries from the Taliban worked to assure Turkmenbashi that they could guarantee the full security of the gas pipeline. The project for obvious reasons upset Russia and has since collapsed.

There are also difficulties with the "Chinese Project": it requires huge investments, security guarantees, and assurances that there is enough Turkmen gas for its full implementation. Nevertheless, the experience of recent years demonstrates the possibility of realizing the boldest projects. And the current Turkmen leadership has no plans to back away from this project. Moreover, Berdymukhamedov confirmed the words of his predecessor in full. The quick pace of the deadline Turkmenbashi set is hardly realistic, but efforts are already being made in this direction.

The Role of China

Thus, China has become a powerful competitor for Russia and one that will be very difficult to counter. In 2008, Gazprom will have to participate in a tender, otherwise its future purchases will be placed in doubt. The paradox is that China, being an economic competitor to Russia, remains its political ally. Regarding Turkmen gas, for Russia the worst case scenario would be that Beijing does not make any concessions to Moscow and its partnership with Russia turns out to be merely tactical. Concerning China's specific national interests, one should not expect concessions.

The developments within Turkmen politics also have important implications vis-à-vis China. In the course of securing power after Turkmenbashi's death, Berdymukhamedov succeeded in removing one of the most powerful Turkmen political figures, the head of the National Security Service Akmurad Redzhepov. It was Redzhepov who secured the peaceful transition of power. According to some accounts, he was the chief advocate of the Chinese project. Presumably his role in developing Chinese ties was one of the reasons for his removal: the new president wanted to personally control relations with China.

The possibility of Turkmen gas exports to China gives Russia mixed feelings about Turkmenistan's proposed membership in the Shanghai Cooperation Organization (SCO). All members have expressed support for its membership, including both Moscow and Beijing. However, the Kremlin recognizes that membership in the SCO would ease Turkmen-Chinese, as well as all Central Asian-Chinese, relations in the energy sphere. In other words, it would create the conditions for yet another gas pipeline that does not pass through Russia.

A Caspian Pipeline Avoiding Russia

Another alternative for bypassing Russia is the Trans-Caspian Project, which proposes:

- The construction of a gas pipeline on the bed of the Caspian Sea with a 30 billion cubic foot annual capacity
- The connection of this pipeline to the Baku-Tbilisi-Erzurum pipeline
- And from there, on to Austria through the Nabucco project, which will have 31 billion cubic feet annual capacity and will start construction in 2010.

This project has the active support of the United States.

Ashgabad has mixed feelings about the Trans-Caspian project. On one hand, it has not given its final approval. On the other, the Turkmen leadership has not hidden its interest in the project. For example, during his visit to the US, Turkmenistan Minister of Foreign Affairs M. Berdiev noted that the government of his country was not against exporting gas to Azerbaijan. Washington succeeded in initiating negotiations on this topic between Ashgabad and Baku, a significant accomplishment given the Turkmen-Azerbaijan argument about the ownership of hydrocarbon deposits in the Caspian. (There is also a pipeline in Iran, but since its capacity is 5–8 billion cubic meters a year, it "is not big enough to matter," as the Russian experts say.)

In contrast to the Baku-Tbilisi-Ceyhan pipeline, which has mainly political significance, the proposed Trans-Caspian gas pipeline is important from an economic point of view. It has particular significance to the Europeans, whose demand for gas is quickly rising and who are seeking a diversity of energy sources. The International Energy Agency's current baseline scenario shows that European Union demand by 2050 will be 650 billion cubic meters a year. And, even if there is a decrease in demand for gas, usage will not fall below 500 billion cubic meters a year.

The "political thaw" in Ashgabad has helped improve ties with Washington. The US has practically stopped criticizing the Turkmen leadership for violating human rights and crushing basic freedoms. This situation to some extent undermines Russia's position, which always closed its eyes to the totalitarian character of the former Turkmen regime, stressing its right to build a state and establish social relations on the base of its identity. Now both the US and Europe recognize the right of Turkmenistan to its identity.

Questions of Capacity

The diversification of gas pipelines and the intention of Turkmenistan to satisfy the appetite of all interested sides raise questions about the size of its gas reserves and, correspondingly, their export potential. There are no reliable statistics on this account. According to most estimates, after Russia and Iran, Turkmenistan occupies third place in global gas reserves, with 23 trillion cubic meters, though some sources rank it fifth. However, in practice, these

figures fluctuate up and down. Characteristically, Ashgabad does not publish official data about the recently discovered deposit in Iolotani, describing them as “enormous,” while other analysts consider them “middling.”

Turkmenistan currently produces more than 70 billion cubic meters of gas a year. Ashgabad promises soon to produce 120 billion cubic meters while independent experts anticipate that production will more likely be in the range 70–105 billion cubic meters.

To meet the needs of all potential customers from 2009, it is necessary to produce 150 billion cubic meters a year. Not one serious specialist thinks that such rapid output growth is possible. Accordingly, everyone understands that it will be necessary to sacrifice something. The Russians are convinced that they are safe. The Chinese think the same thing. The Europeans are also optimistic. One way or another, the competition of foreign powers around Turkmenistan will grow and Russia will have to do more to preserve its current influence.

Turkmenistan Seeks Its Place

Interestingly, Ashgabad did not support the Iranian proposal, energetically lobbied by Russia, to create a “Gas OPEC,” which would help gas producers control the price of gas. Turkmenistan simply ignored this proposal without discussing its merits, preferring to define its relations with its consumers independently on the basis of their own considerations.

It is possible that the battle between Turkmenbashi’s successors remains unfinished. In this situation, Russia will not succeed as before in remaining on the sidelines, giving the view that whoever climbs to the Ashgabad’s political Olympus will fully support a pro-Russian line. Most likely, the competing Turkmen leadership factions will appeal to the US, China, Turkey, and possibly others.

Ultimately, relations between Russia and Turkmenistan will depend on how their ties develop in the energy sphere. While these relations are formally friendly, they are always embedded in Turkmenistan’s multi-vector strategy. Russia must not only take this situation into account, but constantly adjust to Turkmen initiatives. In other words, while recognizing that it will not be able to preserve its monopoly on importing Turkmen gas, it will try to preserve its leading position in this sphere.

As Russian First Deputy Minister of Foreign Affairs Andrei Denisov put it, “Russia is not against healthy economic competition in energy.” Only in this way will Moscow succeed in preserving its political influence in Turkmenistan.

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Map: Russia's Oil and Gas Pipelines

Russia: Main Oil Export Pipelines



Russia: Main Natural Gas Export Pipelines

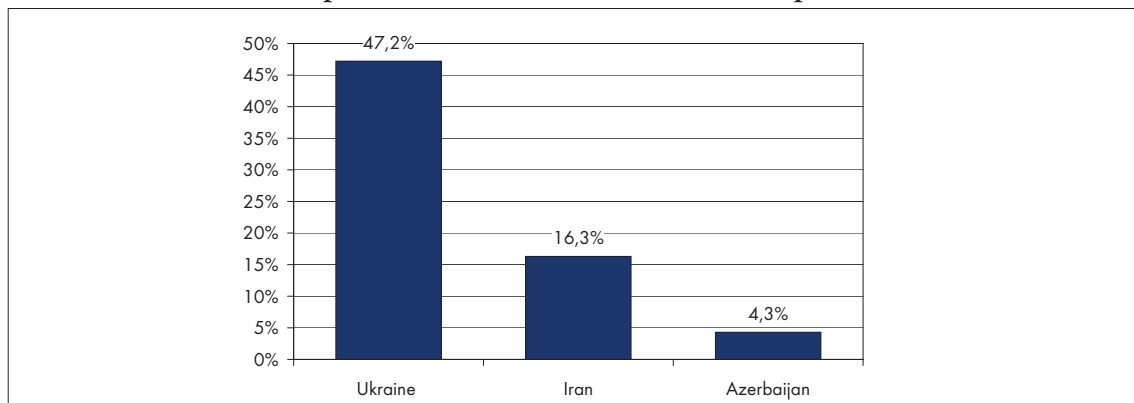


Statistics: GDP Per Capita (PPP US\$), Central Asia

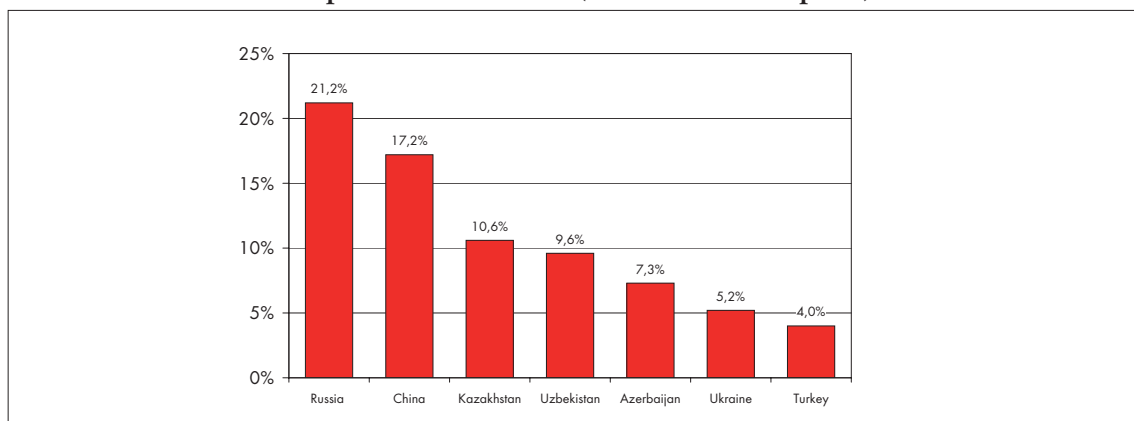


Statistics: Turkmenistan: Origin and Destination of Exports and Imports

Turkmenistan's Main Export Partners 2006 (in % of Total Exports)



Turkmenistan's Main Import Partners 2006 (in % of Total Imports)



Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/tx.html>

Russia Lures Uzbekistan as its Strategic Satellite in Central Asia

By Alisher Ilkhamov, London

Abstract

After a period of coolness between Russia and Uzbekistan during the 1990s, their relationship has returned to a Soviet-style pattern of patron-client relations. The rapprochement between them came into effect after the Karimov regime fell out with the West following the “color” revolutions and Andijan events. Although trade between these two countries remains at a very low level, Russia seeks to benefit politically and economically by asserting control over Uzbekistan’s gas resources and leveraging its advantageous geo-strategic location. In return, the Karimov regime, whose popularity within the country is declining, is anxious to guarantee its security. Thus, while Russia’s expectations in this case are related to its structural national interests, Uzbekistan is driven by the personal concerns of its current political leadership. Therefore, this strategic alliance is far from stable, threatened by the possibility of regime change, which could occur at any time in this Central Asian country.

Historical context

After Tsarist Russia conquered Turkistan in the middle of the 19th century, this region became an advanced post for the Russians in their dealings with the Muslim world. The Great Game began when Russia decided to withstand the expansion of the British Empire in Asia. Since then the Russians have invested extensively in the region in order to integrate it politically and economically into its imperial domain. They built extensive transportation infrastructure in the region, including a railroad and developed irrigation systems and cotton production to boost their own textile manufacturing. With the transformation of the Tsarist colonies into the national republics of the Soviet Union, this politics of integration and absorption advanced with new vigor. The Russians promoted a program of modernization and social reforms, which had a deep and contradictory impact upon the local societies. On the one hand, it boosted industrialization of the domestic economy, the education system, and the emancipation of women. On the other, the Russians sought to eradicate the local Muslim faith, establish ethno-nationalist states, impose the Cyrillic alphabet for indigenous languages, and force the local elites to speak Russian. Most of current political leaders in the region, including current Uzbek President Islam Karimov, are the product of Soviet-era efforts to cultivate local communist cadres.

Long after the dissolution of the Soviet Union, Uzbekistan still carries the economic, social, and political birth-marks of its Soviet past. These are particularly visible in its style of governance. The Soviet legacy continues to shape the relationship between contemporary Russia and the former Soviet republics. This relationship is somewhat ambivalent: all former national republics are wary of Moscow’s neo-imperial ambitions, yet they share many socio-cultural commonalities with Russia that, along with Russia’s revitalizing economic might, prompt them to re-adopt the role of client states in respect to their former master.

This current state of affairs sharply contrasts with the end of the 1980s and the beginning of the 1990s, when the centrifugal tendencies across the former Soviet Union prevailed over centripetal ones. In 1991, profiting from Moscow’s political weakness, the republican political leaders moved to declare independence from the Soviet Union. Politically and economically frail under Yeltsin’s rule, Russia pursued a sluggish foreign policy toward Central Asia in the first part of the 1990s. However, the consolidation of state and economic power under Putin and the collapse of the US-Uzbek geo-strategic alliance in 2004–2005 allowed Russia to reinstate its influence in Uzbekistan.

When the “color revolutions” started breaking out across the post-Soviet space in late 2003, the Uzbek leadership experienced a deep paranoid fear that it would be toppled by plots hatched by domestic civil society and international NGOs and rapidly reconsidered its foreign policy orientation. It methodically expelled foreign NGOs and cut off the military partnership with the United States. Simultaneously, President Karimov worked to fill the vacancy in the spot of “elder brother” by offering it to Moscow. This swing in foreign policy contrasted dramatically with the previous period of fierce anti-Russian propaganda, which was characteristic for the Uzbek regime during the 1990s.

The final landmark signifying the radical shift in Uzbekistan's foreign policy toward embracing Russian patronage was the Andijan events of May 2005.¹ While the Western states reacted critically to these events, Vladimir Putin (and the Chinese) supported Karimov without hesitation and justified his brutal crackdown on the unrest in Andijan. Understandably, President Karimov appreciated this support and consequently worked to please the Russians and strengthen strategic ties with them.

In July 2005, the United States was given six months to shut its K-2 airbase in Khanabad, which had been a source of annoyance for the Kremlin. Two months earlier, in May 2005, Uzbekistan had terminated its membership in GUUAM, an alliance bringing together Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova, another irritant for Moscow. Less than a year later, in March 2006, Uzbekistan joined the Eurasian Economic Community (EvrAzEs), patronized by Moscow, and signed a new bilateral agreement in which Russia assured Uzbekistan that it would intervene if the Uzbek regime faced domestic or foreign threats. Finally, in August 2006, Uzbekistan returned to the Collective Security Treaty Organization (CSTO), seven years after the suspension of its membership in this Moscow-controlled regional organization.

In return, the Russian government worked to make President Karimov happy and to seek his favor. During his visit to Uzbekistan in June 2005, President Putin pledged to invest one billion US dollars in the Uzbek economy, mainly Gazprom's and Lukoil's deals with their Uzbek counterparts. The Russians were especially courteous with Karimov's daughter Gulnara Karimova, who is considered a likely presidential successor in Uzbekistan and a key mediator in strengthening Uzbek-Russian ties, especially in gas and oil deals. While Gulnara remains the subject of an international arrest warrant and can not visit most Western countries, following the ruling of an American court in 2001,² she has received a high-profile reception in Russia.

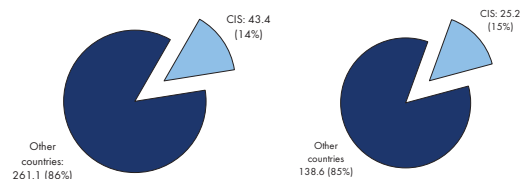
What Are Uzbek-Russian Mutual Interests?

At first glance, Uzbekistan is not a significant trading partner for Russia. As the graphs on p. 12 show, Uzbekistan receives only 3 percent of Russia's exports and supplies just 6 percent of Russia's imports from the CIS countries. The importance Uzbekistan as a trade partner for Russia becomes even smaller when placing the CIS countries in the context of Russia's overall foreign trade turnover (see graphs below).

Nevertheless, in the last several years Russia has demonstrated an increasing interest in improving its economic and political relations with Uzbekistan. To understand the significance of Uzbekistan for Russian interests, and vice versa, one has to place this country, as well as the whole Central Asian region, on the larger map of Russian global aspirations, paying special attention to the context of Russian business with Europe. The continent represents the greatest value for Russia and its economic interests. Europe is the destination for 66 percent of Russian exports, in which gas and oil are the prime commodities. One should examine Russian attitudes toward Central Asia in general and Uzbekistan in particular from this perspective. The Central Asian region with its vast energy resources³ is vital for Russian economic business in Europe, which is the main importer of Russian energy resources.

In 2004–2006 Uzbekistan produced 59–62 billion cubic meters of natural gas annually. This output is comparable to the production of Turkmenistan, but Uzbekistan exports much less gas than the Turkmen because it uses the bulk of it (up to 95 percent) for domestic consumption. Combined, gas exports from these two countries allow Russia to supply its domestic market with comparatively cheap gas, at \$100 per thousand cubic meters, while freeing up Western Siberian gas deposits as a source of high profit exports to Europe, where gas sells for \$230–250 per thousand cubic meters. Russia thereby makes a huge profit thanks to exploiting a price scissors in its cross-regional gas import-export schemes. High profits are not the only advantage Russia

Structure of Russian exports in 2006, bln USD *Structure of Russian imports in 2006, bln USD*



(Source: Russian Federal Service of State Statistics, 2007)

1 After the trial of 23 local businessmen, widely perceived in Andijan as unfair and fabricated by the security agencies, a group of armed people assaulted a number of state institutions (a prison, military garrison, police station and local government). The next day a mass demonstration, largely peaceful, took place in the central square. The government troops responded by shooting indiscriminately at the crowd. Hundreds of people, including women and children, were reportedly shot dead and then buried secretly in mass graves.

2 After divorcing Mansur Maksudi, an American citizen and businessman, Gulnara secretly took their kids from the USA to Uzbekistan without the father's consent. Maksudi sought to reverse his wife's action and won custody of his two children from a New Jersey court.

3 Central Asian overall gas deposits are estimated to be as much as 22 trillion cubic meters, comprising 12 percent of world reserves.

gains from controlling the export of Uzbek and Turkmen gas. In fact, Russia is tempted to attain a monopoly in supplying gas to Europe and the GUAM zone (Georgia, Ukraine, Azerbaijan, and Moldova) as a lever of political influence.

Uzbekistan, as well as Central Asia in general, is a top priority for Russian interests not only because of its gas and oil reserves, but also for its advantageous geo-strategic location. It is positioned at the nexus of several zones of global geopolitical interest, including Russia, China, South Asia, Iran, the Caspian Region, and Transcaucasia. Uzbekistan is particularly important for global powers because it is situated exactly at the heart of Central Asia and borders all its countries. Russia's claims for control over this region could not be realized without Uzbekistan as a close ally. Uzbekistan is crucial because it is close to Afghanistan and maintains comparatively well developed infrastructure in the areas approaching the Uzbek–Afghan border.

Although Uzbekistan does not have a common border with China, it is close to this rapidly growing super-power, and within firing range for short- and medium-range ballistic missiles and aircraft. In short, neither of the other Central Asian countries possesses such a combination of geo-strategic advantages as Uzbekistan. Therefore, Russia must consider the return of Uzbekistan to the CSTO as a big gain.

When it comes to the area of security cooperation, one should make a distinction between two parties' real and rhetorical interests, as well question whether these interests have a structural or personalistic character. Both countries try to explain to the public, both domestic and international, that they ostensibly have common interests in fighting international terrorism. But surprisingly, the "international terrorists" are rarely specified by name. In most cases, "terrorists" refers to Islamists, but Russia and Uzbekistan have in mind different groups, which are only tenuously linked with each other (for instance, Chechens in Russia and the Islamic Movement of Uzbekistan in Uzbekistan). In fact, both parties have little need for each other in dealing with their domestic enemies.

For Karimov, Russia is important as a guarantor of his personal security and his hold on his office. The challenge to his rule may come from domestic mass unrest, but external threats are a less likely problem. Russia, in turn, is driven by its concern about the expansion of NATO, which is still seen by the current Russian political and military leadership with some hostility. When in 2001 Karimov invited the Americans to use the airbase in Khanabad, it made the Russians extremely nervous. So the ejection of the American military was a great relief for President Putin and his team.

The Looming Limits of Russian Influence

In dealing with Uzbekistan, Russia and the West perceive each other as seeking to exert exclusive influence over this country. As a consequence, this contest is zero sum rather than win-win for all large stakeholders involved. For the time being, the Russians are taking the lead in this game, but have achieved this position largely due to the failure of the Uzbek regime to employ a multi-vector foreign policy as, for instance, the neighboring Kazakhstan and Kyrgyzstan do much more successfully. Karimov has for a long time expressed contempt for a multi-vector foreign policy and, as a result, suddenly found himself vulnerable due to his one-sided approach.

There are some signs that the Uzbek leadership is reconsidering its policy of aligning with only one great power and is now seeking to diversify its foreign policy partnerships. First of all, the Russians have not yet been allowed by the Uzbeks to replace the Americans in leasing the Khanabad airbase, despite the Russians' undisguised desire to acquire it. Instead, Uzbekistan proposed that they use the airbase in Navoi, located much farther from the Afghan border, and only in crisis situations, i.e. without the permanent deployment of their military facilities.

Observers paid particular attention to the presentation made in March 2007 at the Moscow Carnegie Center by Rafik Saifulin, an analyst from Uzbekistan who is closely associated with the Presidential Security Council. His criticism of the Uzbek-Russian relationship reflected the intention of some circles in the Uzbek political elite to restore, to some extent, ties with the West as a counter-balance to Russia in Uzbekistan's foreign policy. Current Uzbekistan Minister of Foreign Affairs Vladimir Norov is also widely seen as a proponent for Uzbekistan's rapprochement with the West, especially with NATO and the European Union.

After officially announcing its entry into the Russian-sponsored regional organizations CSTO and EvrAzEs, Uzbekistan is evidently not rushing to join the approximately 70 EvrAzEs conventions on specific issues that would require Uzbekistan to adjust its legislation to its commitments as a member-state of these regional entities. Uzbekistan was notably absent from the SCO military exercises "Peace Mission – 2007." Another indication of President Karimov's cooling attitudes toward Russian-controlled regional entities has been the small

number of reports published in the Uzbek official press, reflecting the president's mood about the last united CIS-EvrAzEs-CSTO summit in Dushanbe on October 5, 2007.

For the moment, the stumbling block preventing Uzbekistan from adopting a multi-vector foreign policy has not been the Uzbek leadership's lack of desire to keep an equal distance from the great powers, but its unwillingness to pay the price for doing that, i.e. by improving its appalling human rights record.

It is evident, that further struggle between Russia and the West over influence in Uzbekistan will probably focus on bargaining around such issues as energy, military bases and human rights. Europe could pay for Uzbek gas and invest much more than Russia, but the regime's human rights violations affront the European Community and restrain it from embracing such a brutal regime as a partner. Though Russia's "tolerance" toward the crackdown on civic freedoms in Uzbekistan satisfies Karimov, Russia's ultimate intention is to limit the sovereignty of its former subjects and expand control over their foreign policies.

One can fairly conclude that Russia would like to impose upon Uzbekistan, as well as the other weak Central Asian states, a limited sovereignty akin to what Bukharan and Khivan khanates had in the 19th century. Political elites in Uzbekistan definitely oppose Russian objectives and are inspired by them to find a counter-balance against Russian neo-expansionism.

Besides, the asymmetry in the expectations held by Russia and Uzbekistan makes their current strategic alliance unstable, particularly since it relies heavily on the personal fate of President Karimov and his family. After Karimov, the new elites in Uzbekistan may find that they are no longer interested in courting Russia. At that point they would find it attractive to seek a counter-balance to Russian expansion in closer relations with Europe and China.

About the author:

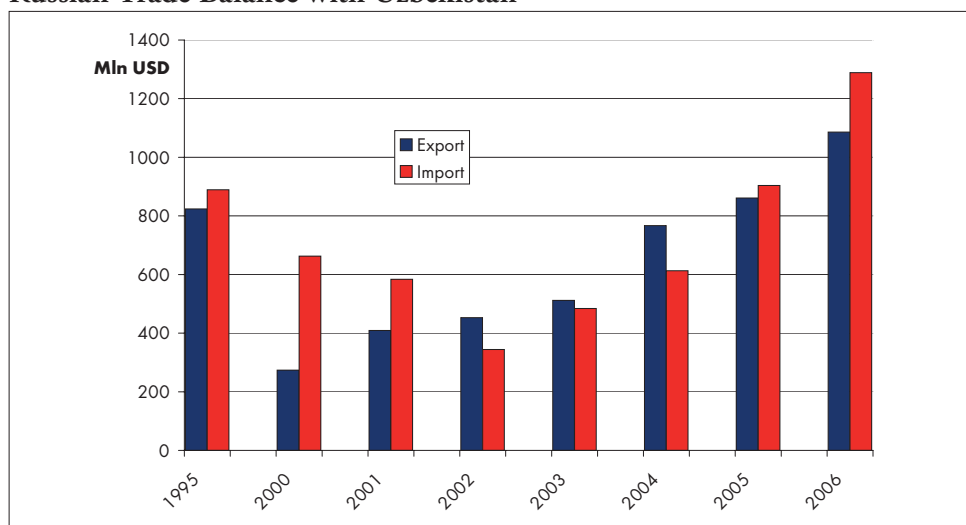
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Further reading:

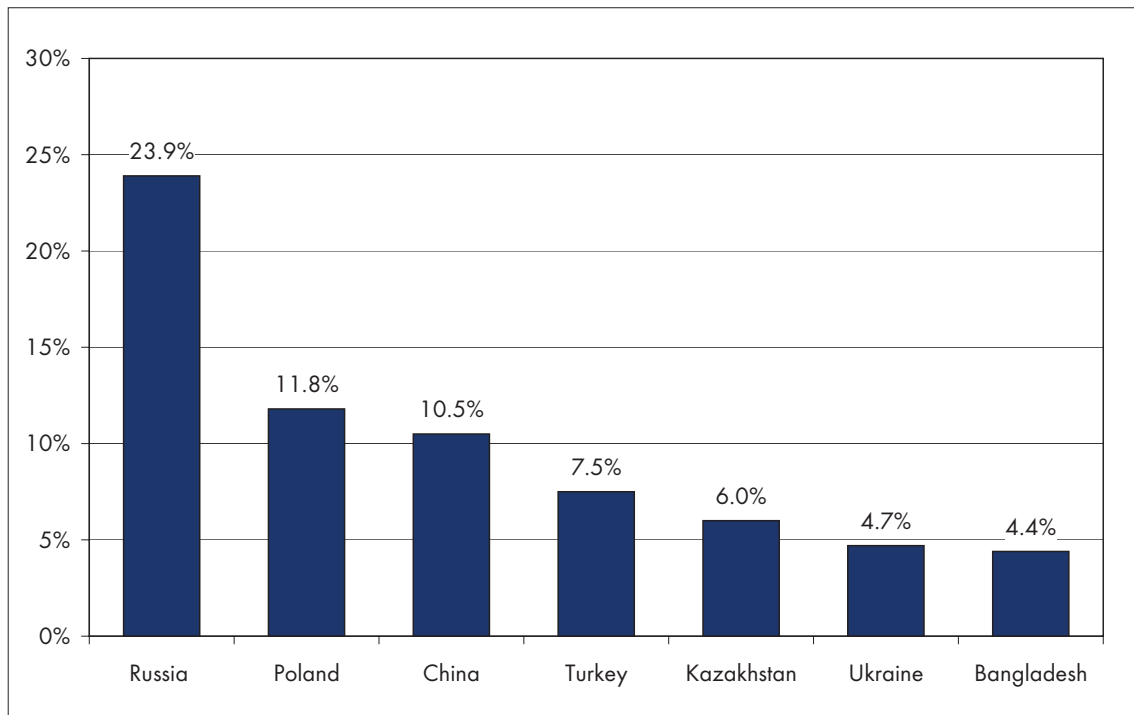
- Natural Gas in Uzbekistan in 2004, International Energy Agency, http://www.iea.org/Textbase/stats/gasdata.asp?COUNTRY_CODE=UZ
- Report on prospects for Uzbekistan seminar, held March 21, 2007 at the Moscow Carnegie Center, <http://www.carnegie.ru/ru/news/75938.htm>

Statistics: Russian-Uzbek Trade

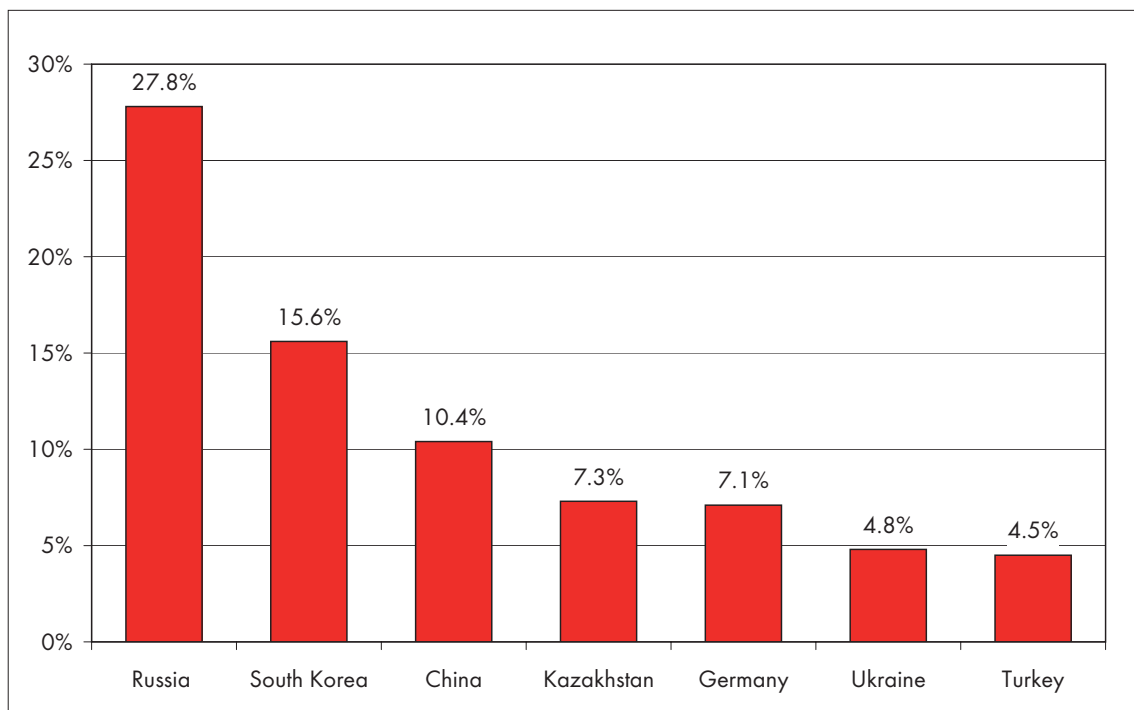
Russian Trade Balance with Uzbekistan



Source: Russian Federal Service of State Statistics, 2007

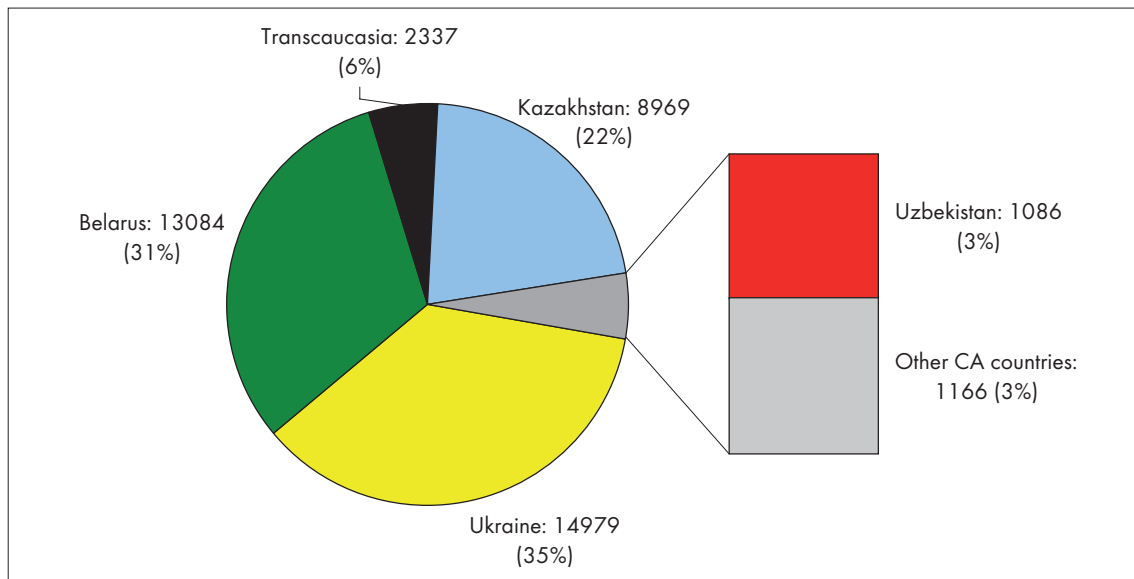
Uzbekistan's Main Export Partners 2006 (in % of Total Exports)

Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/uz.html>

Uzbekistan's Main Import Partners 2006 (in % of Total Exports)

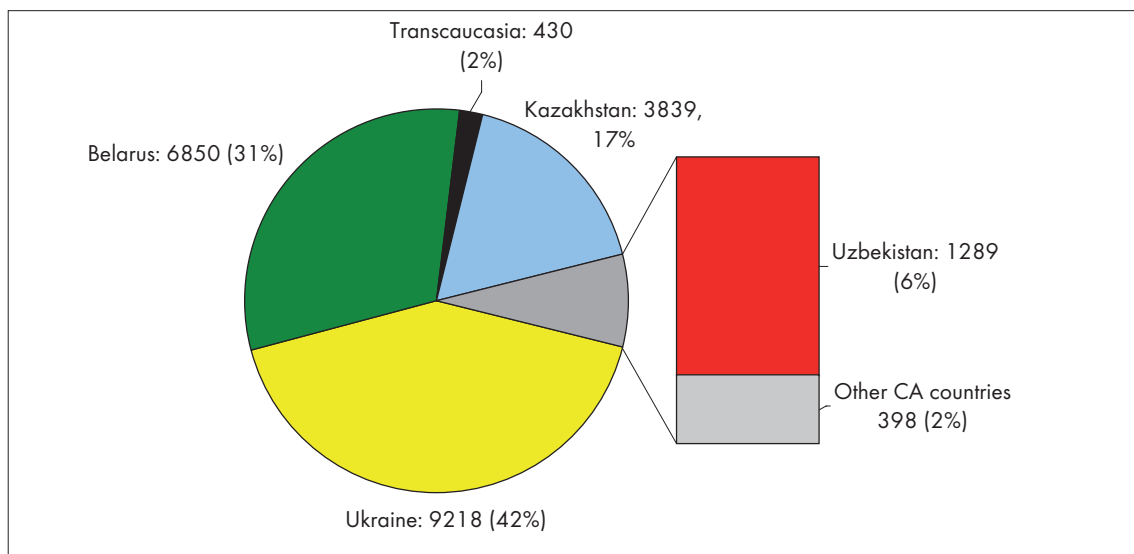
Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/uz.html>

Shares of CIS Countries in Russia's Exports in 2006, mln USD



Source: Russian Federal Service of State Statistics, 2007

Shares of CIS countries in Russia's imports in 2006, mln USD



Source: Russian Federal Service of State Statistics, 2007

The Kazakh-Russian Relationship

By Martha Brill Olcott, Washington

Abstract

Since independence, the Kazakh-Russian relationship has been a defining one for Kazakhstan, and as long as Russia continues to exist as a single sovereign state, Kazakhstan's domestic and foreign policies will continue to be formed partly in Russia's shadow. But, while Russia has sometimes been a troublesome neighbor for the Kazakhs, it has never been a cripplingly nasty one, and overall the relationship between Kazakhstan and Russia has been much smoother than most expected. This is due in large part to the skill with which Kazakhstan's leaders have handled their Russian interlocutors, in bilateral and multilateral settings, and to Kazakhstan's success in maintaining a multi-vector foreign policy.

Russia's Evolving Strategy

Over time it has been Russia, not Kazakhstan, which has been the more unpredictable partner. Through much of Boris Yeltsin's term in office, the Kazakh-Russian relationship satisfied neither party. Russia sought to use Kazakhstan's energy debts and geographic isolation as a brake on Kazakhstan's economic development, forcing the Kazakhs to develop a multi-vectored foreign policy and investment strategy in order to survive.

By contrast Putin, realizing that the Kazakhs had attracted new and potential economic and security partners, tried a more positive approach. Russia's second president has used the carrot more frequently than the stick, creating a series of partnerships between the two countries and their key industries which is likely to withstand Putin's departure and that of Nazarbayev as well.

Kazakhstan Nervously Eyes Independence

Nazarbayev had initially been quite nervous about what independence could mean for his country, which had nearly as many ethnic Russians as ethnic Kazakhs, and shared a seven thousand plus kilometer border with Russia. Kazakhstan lacked any sort of international constituency to advocate its national sovereignty. But once independence became a reality, Nazarbayev was determined to make the best of it. The Kazakh leader appreciated his country's major strength – that it had inherited part of the Soviet strategic nuclear arsenal, which could be traded away for international recognition, especially by the U.S.

Nazarbayev quickly sparred with Yeltsin over questions of economic and political integration, wanting the various post-Soviet states to function collectively, but as relative equals. Nazarbayev continued to hope for this under Putin, but although Russia and Kazakhstan are technically part of a "common economic community," in reality there is no secure legal basis for functional economic integration with Russia. However, on traditional questions of security, Nazarbayev was, and remains, willing to follow Russia's lead. Kazakhstan signed an agreement on collective security with Russia in May 1992. It has remained an active member of the Collective Security Treaty Organization (CSTO) ever since, cooperating with NATO but never at the expense of its security relationship with Moscow.

Kazakhstan's economic policy is much more independent of Russia, placing priority on receiving foreign direct investment from the U.S., Europe and Asia's economic powers, not just in the energy sector, but in a number of other economic clusters designed to make the country self-sufficient.

Nazarbayev went through an important mental shift in the mid-1990s. As Yeltsin started to fail physically, the more youthful Nazarbayev gathered new strength. Leaving economic planning to close associates, Nazarbayev concentrated his efforts on trying to advance the international image of Kazakhstan, aided in part by the fact that the Kremlin never took advantage of Kazakhstan's seeming Achilles heel, its large and increasingly dissatisfied Russian population.

Border delineation between the two countries did not begin until 1996, and it took roughly a decade to conclude, with the Kazakhs making numerous small concessions to Russia, giving over to their jurisdiction many divided settlements that were largely composed of ethnic Russians. Russia then began the process of fortifying parts of the border, but has managed to complete only a small fraction of the necessary work.

But even in the years before border negotiations began, the Kremlin never pursued an aggressive policy of trying to rile up Kazakhstan's ethnic Russians. The Russian diaspora has always been a focus in the Duma, but there has never been large-scale funding of Russian nationalist groups, and Kazakhstan's Russians never received the right to dual citizenship from Astana. Most of the prominent Russian nationalists basically abandoned their cause, moving from Kazakhstan to Russia by the late 1990s. The Cossacks of Kazakhstan, a frequent nuisance to the Kazakh government, largely faded into the woodwork after 1999, when a small group of them from Ust-Kamenogorsk were charged with treason and given long prison sentences, with only some blustering from the Russian press and Duma. The Kazakhs responded to the bad press by re-broadcasting fewer Russian programs, and began restricting the hours of Russian language programming more generally.

One thing helping to defuse these tensions was Russia's willingness to absorb the millions of Russians who sought repatriation – more Russians (in both absolute numbers and in percentage terms) came to Russia from Kazakhstan (about two million) than from any other post-Soviet state. In recent years, however, the direction of flow has begun to reverse. The Kazakh government, though publicly maintaining its eagerness to have all of its citizens remain in their "homeland," was in fact quite happy with the demographic shift which occurred through the departure of the Russians and ethnic Germans. In a span of ten years, the Kazakh population in the country went from being a minority (38 percent) to over 50 percent in the country's first census, in 1999. The "return" of Kazakhs living in China and in Mongolia explained some of this boost.

There is no visa regime between Kazakhstan and Russia, and today citizens can pass between these states using domestic passports, rather than the passports used for international travel. Kazakh academic degrees are recognized in Russia, and Kazakh citizens are legally able to work in Russia.

Kazakhstan and Russia in the Fossil Fuel Sector

Kazakhstan's biggest problem with Russia has been securing satisfactory transit rights to move its oil and gas across Russian territory to Europe, but there is no evidence to suggest that Russia's tough negotiating line was ever linked in any way to the difficulties ethnic Russians had in Kazakhstan, although certainly the Kazakhs feared that this would be the case if they ever crossed some sort of invisible line in their opposition to Moscow's terms.

The difficulties in establishing a commercially satisfactory relationship from Russia during the negotiations over the Caspian Pipeline Consortium (CPC) pipeline left the Kazakhs and their Tengiz consortium partners very concerned about the economic consequences of Kazakhstan's dependence on transporting oil and gas across Russia. When the CPC pipeline finally opened in 2001, a whole new series of problems appeared, having to do with the role of Russian management, the structure of tariffs, and the desire of Tengiz project partners to have Russians expand the pipeline capacity.

These difficulties have made the Kazakhs receptive to talk of alternative pipeline routes, first through Afghanistan, and then through Iran via Turkmenistan. When neither of these seemed viable, the Kazakhs entered an energy partnership with China, which has led to a new pipeline going eastward across Kazakhstan.

The Kazakhs have also remained interested in the U.S. sponsored initiative to build a pipeline to Turkey through Azerbaijan and Georgia, but recognized that the proposal to ship oil (and gas) through pipelines under the Caspian Sea would be a non-starter for Russia. As a result the Kazakhs did not formally commit to the Baku Tbilisi Ceyhan (BTC) pipeline until it was a reality, a decade later, and even then merely agreed to send oil across the Caspian in freighters, rather than in an undersea pipeline that was supported by the U.S.

The Kazakhs have also been more solicitous of Russian concerns over the unresolved legal status of the Caspian Sea than were either the Azerbaijanis or Turkmen. Key for Kazakhstan was securing Russian agreement on the idea of national sectors, for Moscow's original position had been on a condominium arrangement for the development of undersea mineral deposits, with all five littoral states benefiting equally. This idea was unacceptable to the Kazakhs, who have the most valuable deposits off their shoreline.

Kazakhstan began negotiating the status of the Caspian Sea with Russia in 1996, reaching a preliminary agreement on its status in 1998, which allowed each country to develop their respective undersea mineral reserves, and provided a corridor for joint-development along the median line separating their sectors. The Kurmangazy deposit is the largest field near this median line, and is set to be developed between Rosneft and Kazmunaigaz.

Kazakhstan's Approach to International Relations

The Kazakhs maintain that their country is going to develop into a bridge between Europe and Asia, and they have tried to make an asset out of what is obviously a very disadvantageous economic position. Certainly it is no accident that the Kazakhs are working with oil companies and metallurgical concerns from virtually every major European and Asian nation, as well, of course, as the U.S and Canada.

Kazakhstan's location means that it must contend with transport through Russia, not just of oil and gas, but by highway and railroad to reach open ports. For this reason the Kazakhs are interested in international initiatives introducing new transit corridors, but opted not to join international groupings, like GUAM (Georgia, Ukraine, Azerbaijan and Moldova, as well as Uzbekistan briefly) that explicitly sought to reduce Russia's influence as a goal in itself. Kazakhstan's approach was always a softer one, increasing the countries' options, in ways that were open to all takers.

One of the ways that the Kazakh government always mitigated the damage from the ill-will of the Russian center was to encourage contact between local akims and their Russian gubernatorial counterparts across the border. Joint ventures with the Russians are often quite rational economically, as the Kazakhs had inherited a transit system (both rail and road) that provided better north-south linkages (between Kazakh and Russian cities) than east-west linkages (across Kazakhstan).

While Kazakhstan has never given the Russians anything like a veto in their international relations, they are always cognizant of Moscow's reaction. It is undoubtedly not an accident that the Kazakh-U.S. relationship and the Kazakh-Chinese relationship both improved substantially during the late Yeltsin years, when Russia's president was both politically and physically very weak. This notwithstanding, Kazakhstan's focus vis-à-vis China was always one of trying to achieve balance in its international relations with these two powerful border states—one in an inevitable decline and the other in the ascendancy. For this reason the creation of the Shanghai Cooperation Organization (SCO), first conceived in 1996, has been beneficial for the Kazakhs, creating a forum in which Russian and Chinese initiatives might be successfully parried by the smaller states.

The existence of the SCO has helped mute some of the impact of Russia's growing assertiveness after Putin came to power. Nazarbayev is obviously less happy about Putin's efforts to attract Central Asian participation in Russian-initiated energy projects (and hydroelectric power along with hydrocarbons), but unlike in the Yeltsin years, Putin less frequently resorts to threats and has been more amenable to improving the commercial terms on offer.

Putin certainly made Russia's behavior more predictable. But although more politic, Putin remains a tough and sometimes underhanded negotiator. For example, at the end of a May summit between Nazarbayev and Putin, the former agreed to ship Kazakh oil through the proposed Burgous-Aleksandropol pipeline and believed that he had secured CPC expansion as well. However, Putin's post-summit statements made it clear that Russia was still simply considering CPC expansion, and had not yet fully committed to it.

That said, one should not diminish the importance of shared values between the Kazakhs and Russians, in both their economic dealings and in their state-building preferences. Both want to attract foreign direct investment, but do so in a way that protects state management of the development of strategic natural resources. Nazarbayev seems to be following Moscow's lead, and is extracting concessions from foreign companies working in Kazakhstan's oil and gas sector, albeit in not as dramatic a fashion as Putin has done.

While many of Putin's domestic policies have occasioned criticism in the West, they have been viewed with favor in Kazakhstan, leaving Kazakhstan's leader feeling freer to concentrate his power as well. Following the "color" revolutions in Georgia and Ukraine, Kazakhstan, like Russia, introduced more restrictive laws on media, political parties, and non-governmental organizations. Kazakhstan also effectively became a one-party state, with only Nur Otan, Nazarbayev's party, gaining representation in the lower house of the parliament in the August 2007 elections, a pattern which Russia is on the verge of copying.

Kazakhstan has also found synergies with Russia in the development of other economic sectors. There are a large number of medium-sized joint ventures that appear to be thriving between Russian and Kazakh entrepreneurs, especially in agro-business and light industry.

Russia seems quite pleased with Nazarbayev's assumption of a greater leadership role throughout Central Asia in recent years. When the Kyrgyz government nearly collapsed in November 2006, Nazarbayev and Uzbek leader Islam Karimov took a concerted and much more direct role in trying to bolster Kyrgyz President Kurman-

bek Bakiyev. The Kazakhs have a dominating position in the Kyrgyz economy, the Tajiks are asking their advice on whom to partner with in the hydroelectric sector, and Nazarbayev has sought to make newly-elected Turkmen President Gurbanguly Berdimuhamedov his protégé on questions of Turkmen energy development.

Certainly, Nazarbayev is not a surrogate for Russia, and clearly has his own agenda. But much of this agenda overlaps with that of Moscow. Nazarbayev is not opposed to shipping his oil and gas through Russia. The key is that he wants commercially attractive prices for it.

Russia has also been willing to go to bat for Kazakhstan. For example, they have been offering dire threats of what the future of the OSCE is likely to be if its member states do not support Kazakhstan's bid for the chairmanship of the organization. Of course, Russian hectoring is making some member states more reluctant to support the Kazakhs.

The Future of the Kazakh-Russian Relationship

Vladimir Putin's term as president ends March 2008, although it is unclear whether or not he will then leave the political scene. Assuming he does, there are unlikely to be any dramatic changes in the Kazakh-Russian relationship. Russia's next leader is likely to be more nationalistic than Putin, who has made very extensive use of nationalist rhetoric in recent years. But Kazakhstan, and the Kazakhs' treatment of their Russian minority, has not been a serious focus of this rhetoric and they are unlikely to be a focus in the future.

If there is in fact a transition period in Russia, Nazarbayev will use the time to further consolidate Kazakhstan's international position. Obviously, the reverse is also true. Russia will find it easier to get the upper hand in dealings with Kazakhstan when Nazarbayev passes from the political scene. For the time being, Nazarbayev has changed the constitution to allow him to continue to run for office. Whatever Nazarbayev's failings as leader – they have been many – he has had some good instincts as to what it would take to make Kazakhstan a success as a nation.

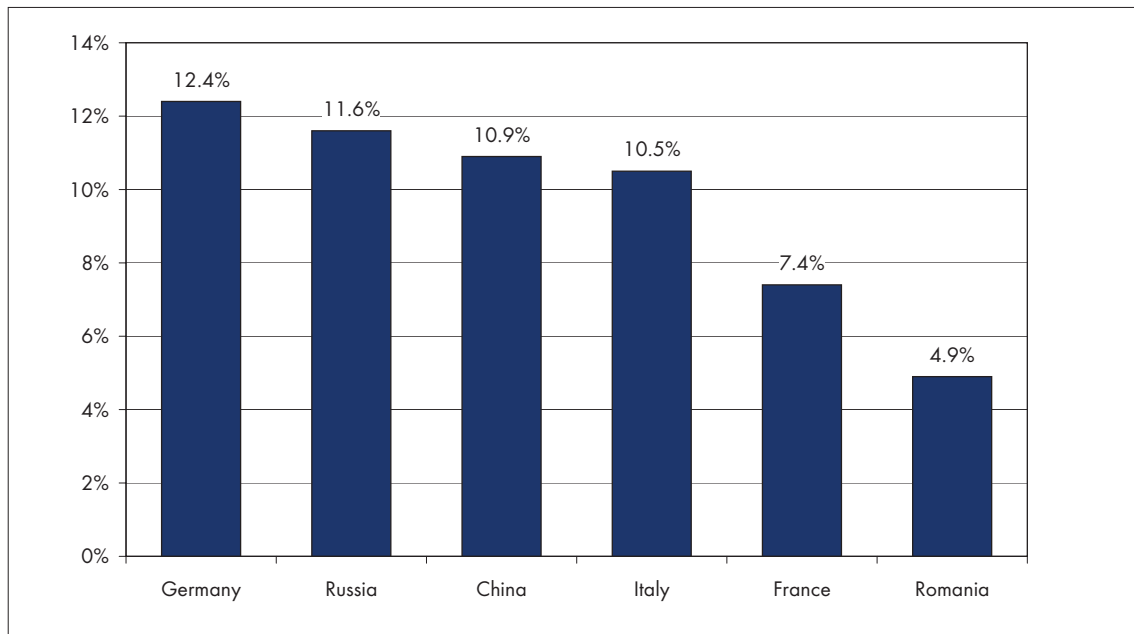
Nazarbayev obviously cannot stage manage what will occur after his death, all the more so if it occurs unexpectedly during his current term in office. But Nazarbayev is also determined to secure his legacy and the independence of his nation. It is thus possible that he just may be vain enough to work out a succession scenario whereby he insures a successor who will prove a match for whoever is Moscow's leader at that time.

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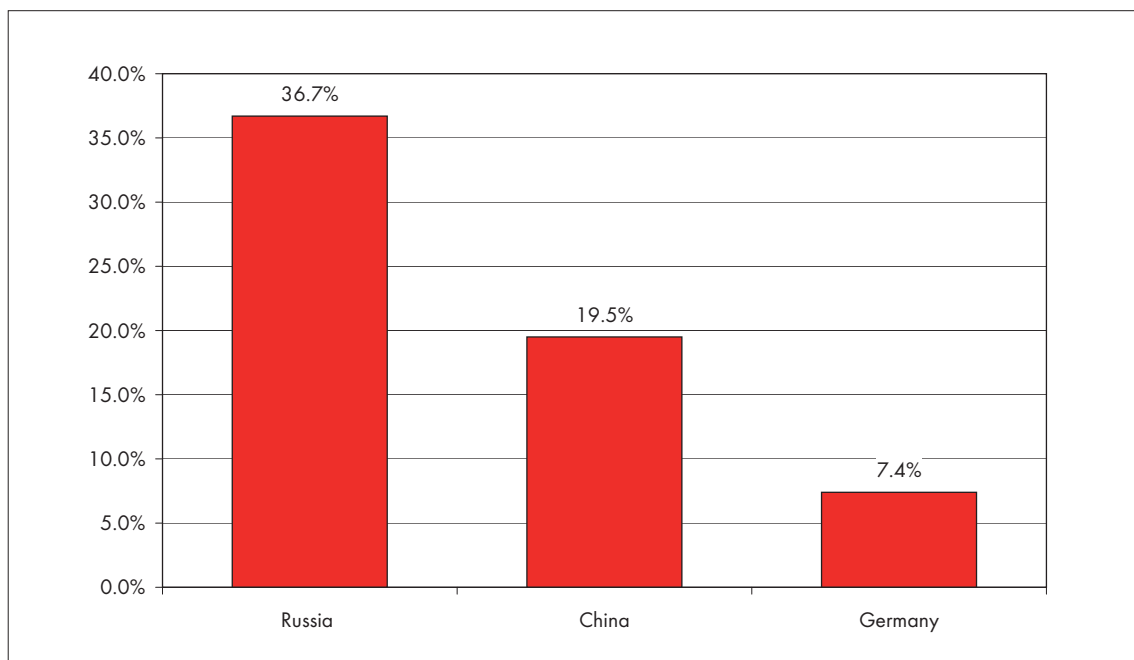
Statistics: Kazakhstan: Origin and Destination of Exports and Imports

Kazakhstan's Main Export Partners 2006 (in % of Total Exports)



Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>

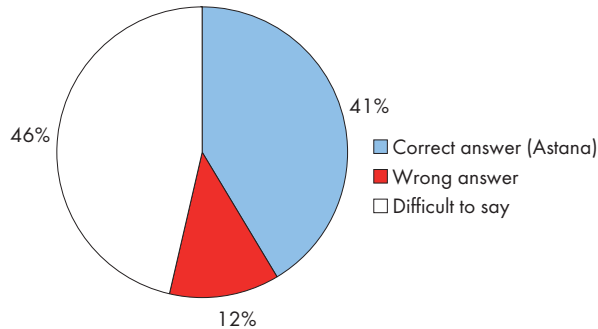
Kazakhstan's Main Import Partners 2006 (in % of Total Exports)



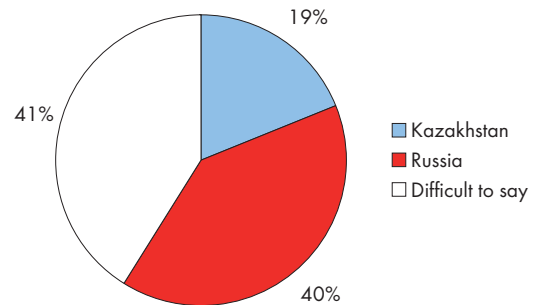
Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>

Russian Opinion Surveys: Attitudes towards Kazakhstan

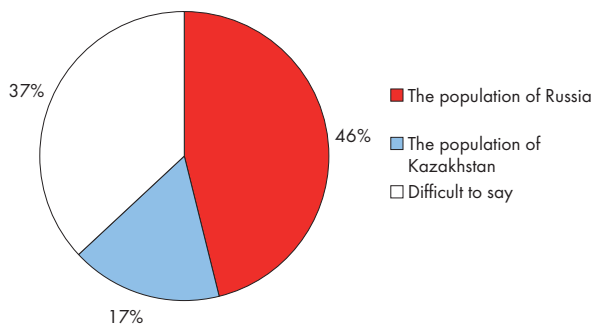
Which City is the Capital of Kazakhstan?



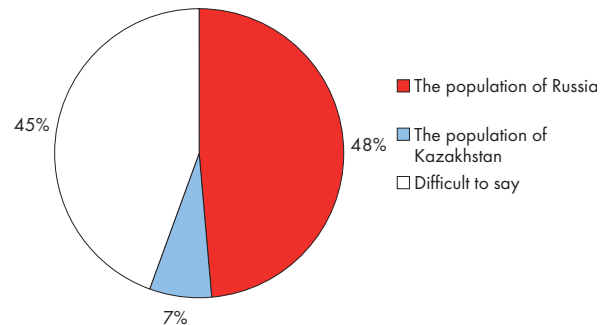
Sixteen Years Ago, the Soviet Union Fell Apart. In Your Opinion, Which of the Two Countries Developed More Successfully After the Dissolution of the Soviet Union – Russia or Kazakhstan?



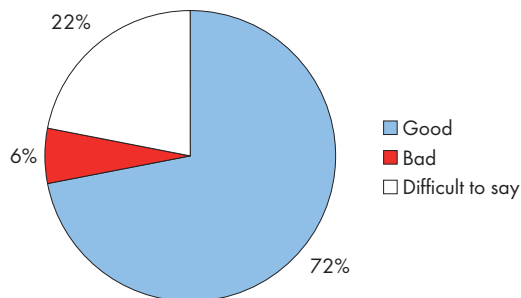
The Population of Which Country Today is Richer and More Well-To-Do, Russia or Kazakhstan?



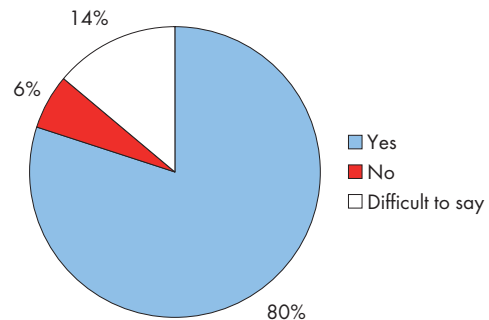
The Population of Which Country, Russia or Kazakhstan, Today has More Democratic Rights and Liberties?



In Your Opinion, are the Relations Between Russia and Kazakhstan Today Good or Bad?



What Do You Think – Should Closer Relations be Built Between Russia and Kazakhstan?



Source: Opinion poll conducted by the Public Opinion Fund

http://bd.fom.ru/report/map/projects/dominant/dom0718/domt0718_8/d071827

Russia and Asia

Russia's Resurgence in Northeast Asia: Views from the Region

By Gilbert Rozman, Vladivostok

Abstract

With its current energy strength and renewed self-confidence, Russia is reasserting its position in Northeast Asia. Of the countries in the region, the Chinese are most interested in developing their strategic partnership with Russia. After making considerable progress in areas such as demarcating the border, the Chinese are now worried that Russia's state-centered expansion will slow the growth of economic ties between the two countries and create tensions for Sino-Russian relations vis-à-vis Central Asia and North Korea. Japan remains focused on the return of the four islands lost to the Soviet Union in WWII. However, it sees Russia as part of a larger strategy to contain the rising influence of China. South Korea is mainly interested in Russia's role in a possible reunification with North Korea, but South Korean-Russian relations depend heavily on the Korean presidential elections in December 2007. All three countries are reevaluating their relations with Russia.

Russia Asserts Itself in Asia

As Russia looks ahead to a presidential transition, Northeast Asia faces a changed environment through the invigorated Six-Party Talks addressing the North Korean nuclear weapons program and some reshuffling of great power relations. Present at these talks and a force determined to shape the balance of power in the region, Russia has emerged from marginalization in the 1990s to become a serious factor in the calculations of the other states in Northeast Asia. Not only do the United States and North Korea—the two states locked in a perilous struggle through the nuclear crisis—pay greater attention to Russia's position in the Six-Party Talks, but China, Japan, and South Korea—the three regional centers of diplomacy—also show growing interest in Russia's intentions of influencing the region, unilaterally, bilaterally, and multilaterally.

After Mikhail Gorbachev's Vladivostok and Krasnoyarsk speeches and Boris Yeltsin's visits to Northeast Asia in the process of setting new priorities, Russia faded from view. In the first nuclear crisis of 1993–94, when the United States first considered a preemptive attack on North Korea's nuclear reactor and then compromised on the Agreed Framework, it was a resentful nonentity. Subsequently, one could observe China wooing it from 1996 to develop a strong strategic partnership, Japan beseeching it from 1997 to reach a deal that would return four islands the Soviet Union occupied at the end of WWII, and South Korea enlisting its good offices from 1999 as part of the Sunshine Policy to reassure North Korea; yet, all of these moves proved to be limited. The Sino-Russian partnership gave Russia a chance to reassert its influence in Asia, but this arrangement soon was suspect for leaving Russia as a junior partner and was never allowed to realize the full potential envisioned by Beijing. Tokyo's "Eurasian diplomacy" was scorned as nothing more than a strategy for stripping Russia of territory, which was well confirmed when Vladimir Putin refocused talks on a compromise approach and Tokyo lost interest. Finally, Putin's personal courting of Kim Jong-il may have been welcomed by Kim Dae-jung, but it proved futile as a second nuclear crisis arose and Russia's role did not expand beyond that of the least significant player in the Six-Party Talks. Emboldened by the new energy clout of Russia along with an image of revived state authority buttressed by renewed strategic military might, Putin is pressing for a more significant role in the region.

The agreement on July 1 between Pyongyang and the International Atomic Energy Agency (IAEA) on the inspection of the Yongbyon reactor after it is shut down ushers in the critical Phase 2 of the February 13 Joint Agreement at the Six-Party Talks, in which the five working groups acquire new importance. As chair of the group focused on establishing a multilateral regional security framework, Moscow has a chance to realize an oft-declared dream, but achieving this goal depends on others. What do policy elites in Beijing, Tokyo, and Seoul want from Putin? Each has fresh concerns about where Russia is heading along with emergent thinking about how Russia can serve their national interests anew. China counts on Russia the most, valuing a deepening strategic partnership. Japan retains its suspicions, considering relations still to be less than normal, but recognizing that Russia's growing clout requires reconsideration. Finally, South Korea is eager for some sort of multilateralism balancing various powers, and it is also prepared to include Russia as conducive to any engagement of North Korea, but the stronger Russia appears, the less it fits the image of a convenient middle power.

If Putin's legacy in Northeast Asia remains incomplete, further bold moves cannot be ruled out. He has made several such moves in the past. In July 2000 he made a stunning entrance at the Okinawa G-8 summit after stopping in Pyongyang, where he secured Kim Jong-il's promise to extend his moratorium on missile testing, reinforcing a mood of regional transformation only one month after the historic inter-Korean summit. In January 2003 the Russian leader agreed in principle to build a proposed oil pipeline to the Pacific coast rather than Daqing, thereby breaking an agreement with China's leaders to direct Russian hydrocarbons straight to China, while encouraging Japanese Prime Minister Koizumi Junichiro to compete for advantage in receiving Russian energy supplies. Most recently, in June 2007 he broke the impasse over transferring North Korea's frozen funds that had put the Joint Agreement on hold by arranging for them to go to a Russian bank after the U.S. Federal Reserve received them from Macao. In this light, the July 1–2 summit in Kennebunkport, Maine with George W. Bush shifted the tone from his confrontational rhetoric earlier in the year and added to his stature as a world leader.

As seen within the region, Putin may have time in office to leave his further mark in Northeast Asia in five areas. First, after the declaration in December 2006 of a new development program for the Russian Far East and Eastern Siberia followed by Putin's visit to Vladivostok in January 2007, he can clarify its contents and set the direction for the limited integration of this area into the surrounding region. After the false starts over the past twenty years of other such development programs, Putin has the revenue, the control, and the energy prospects to establish a long-term plan that Russia's neighbors would have to take seriously. Second, following years of equivocating, a final decision on the route of construction of the oil pipeline from Taisket is expected, perhaps prioritizing the Pacific route and leading to a scramble among states for access to and development of first oil and then gas resources tightly controlled by the Russian state. Uncertainty about pipeline plans has left in limbo Russia's regional strategy. Third, in the wake of the new Sino-U.S. understanding on how the Six-Party Talks should proceed, Putin can seize this opportunity for championing a regional consensus insistent on Pyongyang's compliance in return for the benefits promised to it. Fourth, as talks advance for a visit by Japanese Prime Minister Abe Shinzo to Russia in the fall, Putin may strive for a breakthrough in relations on the basis of security as well as energy multilateralism. Finally, in the year of China in Russia, Putin could complete his presidency by repositioning these bilateral ties within an enduring regional framework. These varied options are on the minds of regional actors.

China's Expectations for Russia

After realizing its primary strategic objectives through Russian partnership ties—border stability, arms imports and licenses, partnership against U.S. unilateralism, and an independent pole to achieve a degree of regional multipolarity—China is awakening to a new security environment in which Russia's role is more problematic. However much a new Russian assertiveness against the U.S. may have been welcome, it may be trailing in its wake potential for regional instability or even renewed Soviet-style thinking that may backfire against China. While the Shanghai Cooperation Organization (SCO) served to keep rivalry in Central Asia under control, Russia's limited interest in it and advancing ambitions for dominance in Central Asia, including control over the disposition of energy resources, may pose a threat to stability. Moreover, despite the much lower costs of constructing a pipeline to Daqing that could absorb all of Russia's exports of oil to Asia from existing fields of Western Siberia, Chinese are preparing for a negative decision. Most likely Russia will build a pipeline to the Pacific coast so that it will benefit from a diversity of customers for its oil and gas and not be dependent on Chinese purchases.

Confident that Moscow is no longer inclined to side with the West politically, Beijing has shifted its gaze to economic ties. While it welcomes the operation of normal market forces, it suspects that Moscow is intent on state-driven economic decisions. On the one hand, it observes Russia's intensified restrictions on entrepreneurial activities—shuttle trade, foreigners doing business in outdoor markets, planned industrial parks, imports by non-registered organizations in fishing and other sectors—which hit Chinese business hard. Centralization in the hands of Moscow ministries seems to have brought little reduction in corruption, but much tightening over market-oriented activities. On the other hand, China faces recurrent pressure to make heavy investments in processing industries across the border that would keep raw materials now heading to China inside Russia, creating jobs there instead. Many regions of the Russian Far East have their own wish list, whether a pulp mill, a furniture factory, or a mineral processing plant. Given the high transportation costs for reaching other markets, Russian regions do not have other options, but some are playing hardball to try to force investments from China. Rather than continued growth in trade from the \$30 billion range to \$60 billion or even \$80 billion, in accord with Chinese calculations based on unrestricted market openings, there is concern that another period of stagnation is coming, such as occurred in the late 1990s.

Beijing's greatest concern may be that a newly confident and assertive Russia may no longer adhere to the stabilizing arrangements along the border and in areas of potential rivalry that were reached in the 1990s. In Central Asia China agreed to defer to Russia, but not on the empire-building terms that Moscow may be contemplating now. At the same time, Russia accepted China's primacy in dealing with North Korea, especially after its bold move to become the intermediary failed in January 2003. Yet, flexing its energy clout in Central Asia, Russia has already marginalized the U.S. and may intend to do the same with China, and as the Sino-U.S. accord of 2006 in managing North Korea passed recent tests, Russia has shown some signs of restlessness. With memories still alive of the great costs from the Sino-Soviet split, Beijing remains intent, whatever the wavering may be on the Russian side, on keeping relations moving along a forward-looking track.

Japan's Expectations for Russia

Long preoccupied with the return of four islands, Japanese have found it hard to prioritize other objectives. Since Koizumi's signature proposal was the oil pipeline to the Pacific, this remains Japan's goal despite a lack of concrete information from Putin on the extent of supplies and the likelihood that plans will go forward. New fear of isolation may finally, under Abe Shinzo (or a successor should he be blamed for his party's suffering a setback in the July elections to the upper house of the Diet) raise the profile of Russia as a strategic partner. The Joint Agreement undercut Japan's trust in the United States, as policies toward North Korea openly diverge. Alarmed over the North's nuclear weapons and missiles, which reinforce their obsession with the abductee issue, many in the Japanese political elite remain intent on countering the North as well as limiting the rise of China. The alliance with the United States is essential, but may no longer appear to be sufficient. Interest in Russia says more about Japan's concerns about China, even in the wake of Abe's October 2006 healing visit to Beijing and Premier Wen Jiabao's April 2007 public relations success in Tokyo, than about any indication of trust in Putin.

Some Japanese leaders would welcome a new tone of cooperation, including in the Russian Far East, accompanied by a message from Moscow that downgraded claims for Sino-Russian relations. A clear-cut decision to construct the pipeline to the Pacific (with no certainty that the spur line to Daqing would be built) would be taken positively as would overtures in favor of Japan's greater involvement in the development plans for the Russian Far East. Local enthusiasm in Hokkaido could easily be aroused, even after the Russian government pressured oil and gas companies to transfer controlling rights over the Sakhalin-2 project. Moreover, as the two marginal players with reservations about the Joint Agreement, Tokyo and Moscow may look for common ground over North Korea. Yet, they approach this possibility at opposite extremes in thinking about the role of pressure on the North and far apart in reasoning about the merits of the U.S. alliance system versus a multilateral security framework. Having previously shown a dearth of strategic logic for strengthening ties to Russia apart from regaining the islands, Japan is unlikely, after a rise of nationalism and under leaders with a weaker political base, to give priority to Russia in the near future. The Japanese would prefer zero islands to a minimal compromise giving them the two tiny islands that were long ago promised, and one-sided reliance on the United States to a weak linkage to Russia that would not seriously undermine its partnership with China and its nationalist assertiveness.

South Korea's Expectations for Russia

If Beijing wanted to build on normalization of relations to reestablish strategic balance in the world and Tokyo sought to recover the "northern territories" to emerge from the shadow of wartime defeat, Seoul desired to gain the edge in the reunification process through "nordpolitik." Its success led, however, to the first nuclear crisis, and later, in a more limited manner, to a second try at enlisting Moscow, but this time to reassure Pyongyang: to make it feel secure, to entice it with energy pipelines and a new railroad line along the vertical axis of Khabarovsk-Vladivostok-Busan down the entire peninsula, and to serve as a voice of moderation in regional circles that eventually became the Six-Party Talks. Progressives led by Roh Moo-hyun are largely satisfied with Russia's contribution, looking back to Roh's visit in the fall of 2004 to Putin's dacha as an upbeat convergence in thinking. Yet, conservatives, who are well-positioned to regain the presidency in the December 2007 election, are inclined to see Russia as coddling Kim Jong-il and unlikely to support the more conditional aid that they would require or the tougher line in the Six-Party Talks that they may take.

Having remained wary of Russia since the dual financial crises of 1997 and 1998, South Korean investors are little disposed to make large commitments. Only economic ties appealing to North Korea, for instance its pursuit of energy security free of outside control, would likely draw Russia and South Korea closer. As a middle power, South Korea might have appreciated a modest Russia aware of its limited influence far from its heartland in Europe, but Putin's assertive bearing may diminish the prospects for the two to find common cause

against the powers that throw their weight around in the region. Much depends on the elections and how the Six-Party Talks proceed in the coming year.

Conclusion

Leaders in the three diplomatic centers of Northeast Asia all had high hopes for Moscow in the late 1980s, turned to it again at some point in the 1990s for more limited goals, and are rethinking their strategies in light of recent events. Moscow's unilateral pursuit of security, total control over energy resources, and renewed influence in Central Asia and North Korea has added an element of wariness in all three capitals. Yet, doubts about the strength of Moscow's bilateral ties with Beijing leave open the possibility for other bilateral moves, especially if energy security acquires new importance in Russian strategizing. Finally, as the search for multilateralism accelerates, with Moscow poised to lead in this aspect of the Six-Party Talks, all parties have reason to take a fresh look at improved Sino-U.S. coordination and how Moscow serves their interests: Beijing through partnership, Tokyo through balancing, and Seoul through reassurance to Pyongyang.

About the author:

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Statistics: Key Economic Indicators for Selected Countries

	Population	Population growth	GDP (PPP)	GNP per capita (PPP)
Russia	142,893,540 ^a	-0.37% ^b	\$1.723 trn ^b	\$12,100 ^b
China	1,313,973,713 ^a	0.59% ^b	\$10 trn ^b	\$7,600 ^b
Japan	127,463,611 ^a	0.02% ^b	\$4.22 trn ^b	\$33,100 ^b
North Korea	23,113,019 ^a	0.84% ^b	\$40 bn ^c	\$1,800 ^b
South Korea	48,846,823 ^a	0.42% ^b	\$1.18 trn ^b	\$24,200 ^b

^a July 2006 estimate; ^b 2006 estimate; ^c North Korea does not publish any reliable National Income Accounts data; the datum shown here is derived from purchasing power parity (PPP) GDP estimates for North Korea that were made by Angus Maddison in a study conducted for the OECD; his figure for 1999 was extrapolated to 2005 using estimated real growth rates for North Korea's GDP and an inflation factor based on the US GDP deflator; the result was rounded to the nearest \$10 bn (2006 est.).

Source: CIA World Factbook

	Oil production	Oil consumption	Oil exports	Oil imports	Oil proved reserves	Natural gas production	Natural gas consumption	Natural gas exports	Natural gas imports	Natural gas proved reserves
Russia	9.4 mn bbl/day ^a	2.5 mn bbl/day ^a	7 mn bbl/day ^a	100,000 bbl/day ^b	74.4 bn bbl ^a	641 bn cu m ^a	445.1 bn cu m ^a	216.8 bn cu m ^h	36.6 bn cu m ^h	47.57 trn cu m ^d
China	3.631 mn bbl/day ^b	6.534 mn bbl/day ^b	443,300 bbl/day ^b	3.181 mn bbl/day ^b	16.1 bn bbl ^c	52.88 bn cu m ^b	47.91 bn cu m ^b	2.79 bn cu m ^b	0 cu m ^b	2.35 trn cu m ^a
Japan	120,600 bbl/day ^h	5.353 mn bbl/day ^h	93,360 bbl/day ^f	5.449 mn bbl/day ^f	29.29 mn bbl ^e	2.957 bn cu m ^h	83.55 bn cu m ^h	0 cu m ^h	81.23 bn cu m ^h	39.64 bn cu m ^d
North Korea	138.5 bbl/day ^h	25,000 bbl/day ^g	NA bbl/day ^g	22,000 bbl/day ^h	-	0 cu m ^h	0 cu m ^h	-	-	-
South Korea	7,378 bbl/day ^g	2.149 mn bbl/day ^g	645,200 bbl/day ^g	2.263 mn bbl/day ^g	-	0 cu m ^h	27.84 bn cu m ^h	0 cu m ^h	28.93 bn cu m ^h	-

^a 2005 estimate; ^b 2005; ^c 2006 estimate; ^d 1 January 2005 estimate; ^e 1 January 2002; ^f 2001; ^g 2004; ^h 2004 estimate.

Source: CIA World Factbook

Russia, Central Asia and the Shanghai Co-operation Organization

By Oksana Antonenko, London

Abstract

Over the past three years, Russia's influence and presence in Central Asia has been steadily increasing. In contrast to the post 9/11 period, Russia has reasserted itself as one of the key players in the region, in some cases displacing the US, now associated with a democratization and regime-change agenda, as the key strategic partner to many Central Asian (CA) states. Moscow now conducts active regional diplomacy, has increased its investment in the region, provides economic and military assistance to CA states and, most importantly, has re-established close relations with the ruling elites in all of the region's states, presenting itself as a strong supporter of the existing political regimes. Russia's new strategic alliance with Uzbekistan, crafted following the Andijon crisis, as well as its close political and business ties with Kazakhstan, represent the backbone of the Kremlin's new Central Asia strategy. Russia's new activism is also visible in Tajikistan, Kyrgyzstan and, most recently, post-Niyazov Turkmenistan. Despite having practically abandoned Central Asia in the 1990s, Russia has now made it a top foreign and security policy priority, not only within the Commonwealth of Independent States (CIS), but increasingly as part of its wider regional and global ambitions.

Increasing Attention to Regional Organizations

In addition to bi-lateral ties with Central Asian states, Moscow is paying increasing attention to regional organizations, including the Collective Security Treaty Organization (CSTO), Eurasian Economic Community (EURASEC), and the Shanghai Co-operation Organization (SCO). Russia's role in these organizations is not so much as facilitator of integration, norm-setter, or even "banker," although Russia provides most of the funds for the CSTO. Instead, in many cases, Russia acts as a shock absorber, which helps to reduce or manage tensions between regional states and to promote the identity of Central Asia as a post-Soviet region (in contrast, for example, with the American vision of a "Wider Central Asia," which would be part of South Asia rather than post-Soviet space).

Russia's participation in regional organizations has one important impact on its policies: in these multilateral formats Russia is increasingly confronted with the need to move away from unilateral leadership, shaped by a domination model, which was prevalent in its policies throughout the 1990s and even in the early Putin presidency, and to accept power-sharing as its new *modus vivendi*, with the rising regional powers, like Kazakhstan, and with powerful external players in the region. This power-sharing model was first tested within the SCO, which over the years, dating back to the SCO's predecessor, the Shanghai-Five Process, kept Russia engaged in Central Asia and helped to define Russia's agenda in the region, while providing confidence-building and transparency in its relations with China in CA. The SCO stands alone as the only organization in post-Soviet Eurasia to which Russia belongs without being a dominant leader or even the most powerful member. Instead, it has been following the agenda set mainly by China and increasingly by Central Asian states themselves. Russia has been surprised by the fast pace at which the SCO has been gaining weight in regional affairs. As the SCO develops, Russia is constantly reassessing its attitudes towards the organization and its role among all the policy instruments available to Russia in the region.

There are a number of issues which both help explain the importance of SCO for Russia and also raise questions as to the impact of the SCO's evolution on Russia's ability to secure its interests in Central Asia. In analyzing these issues, however, one must bear in mind that Russia has yet to clearly articulate its interests and objectives in the SCO and strategies on how to achieve them.

Diverging Partnership: Russia and China in SCO

The presence of Russia and China among SCO members is the key reason why the SCO is increasingly taken seriously, although often with caution, by countries in the West and East. The SCO and its predecessor, the Shanghai Five, have provided a mechanism under which Central Asia's two most powerful neighbors can reconcile their interests and develop ways to cooperate. Early observers predicted that there would be unavoidable Russian-Chinese rivalry or even conflict over influence in Central Asia. The SCO's ability to regulate this conflict has been, without a doubt, the most powerful testimony of the organization's success to date.

However, Russian-Chinese relations within the SCO are becoming increasingly competitive, rather than cooperative. As China moves from declarations towards promoting specific projects in Central Asia, including those focused on energy and infrastructure, increasing development loans, and signing contracts for strategic projects in the energy and water management sectors, Russia's role as a regional economic power, inherited from the Soviet Union, is diminishing.

At the same time, China has been more cautious than Russia about using the SCO as a tool for anti-Western, particularly anti-US, declarations, preferring instead a quieter, but often more effective, diplomacy. Russia, on the contrary, has been the key engine behind the SCO declarations – such as those calling for NATO base withdrawal or member states pledging not to take steps which could damage the security of other members – which sought to openly challenge the Western presence and influence in CA. While Russia and China both oppose the US and NATO military presence in the region, China is less concerned about engagement by the EU and Asian players, such as the Asian Development Bank (ADB).

China and Russia share concerns about the further enlargement of the SCO, although they continue to lobby different candidates for closer ties with the organization. China supports Pakistan, while Russia has been developing closer ties with India and Iran and, at one point, even proposed bringing Belarus closer to SCO. Finally, while Russia and China both agree on the “three evils” – terrorism, extremism and separatism – as the key priorities for the SCO's security agenda, China seems more reluctant at this stage to commit the SCO to develop capabilities for dealing with potential security challenges – such as cross-border insurgency or even terrorist attacks – in Central Asian states, while Russia pays little attention to Uighur activities in the region.

In strategic terms, Russia and China have increasingly diverging views on the future directions of SCO development. Russia is keen to keep the SCO as primarily a security organization, with only a limited economic role focusing on joint infrastructure projects. Russia seeks to use EURASEC as the key regional economic integration vehicle. China wants the SCO to evolve decisively into an economic grouping, which makes it easier for China to implement its business projects in the region, including those in the energy sphere and trade. China's proposals for the creation of a free-trade zone within the SCO are seen as threatening for Russian and Central Asian state economies, which can hardly compete with China's economic power. This power has already displaced Russia as the key economic and trading partner for many CA states. As this trend continues, Russia might start using SCO mechanisms to limit China's economic expansion into Central Asia, rather than for the purpose of reducing the existing barriers through economic integration, the vision held by China.

The Sino-Russian tensions are likely to grow and Russia will find it difficult to deal with China's rising influence and activism in Central Asia. The SCO is unlikely to help tackle such issues as migration, resource competition, and the increasing economic imbalance between China and its neighbors, including Russia. The SCO can be used by Russia and CA states as a vehicle – a force multiplier – to contain and balance Chinese influence (just as the Shanghai Five process was used in negotiating border disputes). Such efforts against China could be implemented if Central Asian states decide that their concerns over China's power outweigh the potential and real benefits from welcoming Chinese capital and assistance.

Problematic Security Role

For Russia, Central Asia matters primarily as a potential, and in some cases, such as drug trafficking from Afghanistan, a real security problem. Therefore its engagement in the region, including multilateral co-operation, has been driven primarily by security concerns. This emphasis has changed somewhat under Putin, who started to actively promote the interests of Russian business, particularly companies close to the Kremlin like Russian Aluminum (RUSAL) or state-owned Gazprom, as an additional source of Russian power. However, Putin continues to view the region primarily as a potential source of instability and threat for Russia itself. Practically all regional initiatives involving Russia, perhaps with the exception of EUROSEC, have security at the top of their agendas. The SCO has been seen, and continues to be seen, in the same light. The Shanghai Five helped to prevent potential conflicts over border disputes, worked to develop confidence-building measures along the former Sino-Soviet border, and declared the goals of fighting terrorism, extremism (primarily motivated by nationalist or radical Islamic ideas), and separatism long before 9/11.

Since the late 1990s Russia has taken a number of decisions in regard to countering terrorist threats in Central Asia. Very few of them were actually made within the SCO. In particular, Russia used the CSTO as a vehicle for creating joint capabilities with the Central Asian states, such as the Collective Rapid Deployment Forces set up immediately after the Islamic Movement of Uzbekistan (IMU) insurgencies in Kyrgyzstan and Uzbeki-

stan in 1999 and 2000. In 2001 Putin's decision to acquiesce to the presence of US and coalition troops and bases in CA was testimony of Russia's real concerns about developments in Afghanistan. Putin realized that Russia was unable, even with support from its CA allies, to stop the civil war in Afghanistan, to remove the Taliban, and to bring some degree of security to the country and hence to neighboring Central Asia. China, by contrast, never openly accepted the bases' legitimacy and viewed them as directed against China.

The SCO has been used for sending political messages and undertaking information gathering and sharing among its members. Both SCO and Russia have firmly sided with Uzbekistan in support of its harsh response to the Andijon unrest. Russia and the SCO are actively targeting Hezb-ut-Tahrir activists, considering them a major security threat both for CA and Russia. For Putin, just as for other SCO states, the democratization agenda, including support for so-called "color revolutions," which led to the overthrow of President Askar Akaev in Kyrgyzstan, is seen as a security problem, partly because it undermines the state's capacity to deal with other security challenges.

Although Russia has been focused on the security agenda in CA ever since the end of the Soviet Union, it has so far failed to develop any effective mechanisms to address real security threats in CA either through bilateral military assistance or through multilateral mechanisms such as the CSTO. In this sense, the SCO also remains a weak security instrument, particularly concerning new threats, which are primarily internal within CA states or linked to wider trans-regional organized crime networks.

Security has been a core preoccupation of the SCO since its establishment. The inaugural summit approved the Shanghai Convention on Combating Terrorism, Separatism and Extremism, under which states agreed to pursue information exchange, extradition and operational coordination to fight these "three evils." The 2006 Shanghai summit approved a new program for cooperation in fighting terrorism, extremism and separatism in 2007–09.

The SCO Convention laid the foundations for the establishment of the Regional Anti-Terrorist Structure (RATS) and for the development of closer cooperation between security services, law-enforcement agencies, and, to a lesser extent, the militaries of SCO member states. RATS, which is located in Tashkent, was the second of two permanent SCO institutions established in 2003 (the first was the Beijing-based SCO Secretariat). RATS is responsible for information exchange and analytical work among SCO members' security services. Its staff of 30 includes seven specialists from both Russia and China, six from Kazakhstan, five from Uzbekistan, three from Kyrgyzstan, and two from Tajikistan. Since 2003, RATS has compiled a list of terrorist organizations and key personalities involved in terrorist activity on member states' territories. It has made some progress in harmonizing anti-terrorist legislation among member states. Yet the SCO has little practical role in addressing either the root causes or managing the consequences of terrorist activities. Moreover, it still plays a minor role in dealing with the key region-wide security concern, drug trafficking.

In addition to RATS' day-to-day activities, SCO member states also conduct joint anti-terrorist exercises. The first took place in 2002 on the Chinese–Kyrgyz border. Primarily including security services, but also some military and interior forces, they have offered the first opportunity for Chinese forces to exercise in Central Asia and for Central Asian and Russian forces to enter Chinese territory. In August 2003, five SCO member states – Kazakhstan, Kyrgyzstan, China, Russia and Tajikistan – conducted joint exercises on the Chinese–Kazakh border, and in 2006 large-scale anti-terrorist exercises – 'East-Anti-terror 2006' – took place with the participation of all SCO member states. In 2007 the SCO military exercises were the largest to date and included an impressive display of military power, which, however, seemed to be go beyond the SCO's declared terrorism agenda and have little in common with modern strategies of targeting terrorist groups or insurgencies. The displays appeared more a demonstration of power in the context of continuing Western military presence in the region, rather than a real reassurance against future terrorist threats.

One role which the SCO could have played is to help translate some of its experience in addressing border disputes between China and post-Soviet states to tackle the existing border problems within CA itself. Many unresolved border disputes represent potential sources of tensions and even conflict and obstacles for trade and economic development. Closer ties with Russia helped to some extent to encourage some normalization in Tajikistan–Uzbekistan relations, however this process is far from complete. At the same time, the withdrawal of Russian border guards from Kyrgyzstan and Tajikistan meant that Russia was no longer influential enough to help strengthen border regimes. In 2007 the Russian Secretary-General of CSTO – Nikolai Bordyuzha – refused to discuss the request from Kyrgyzstan to bring Russian border guards back to Kyrgyzstan. The SCO could have played some role in this issue but Russia is cautious to authorize anything which could

imply some form of long-term presence of Chinese military or other security forces in Central Asia on a long-term basis. Moreover, while keeping the security agenda – where Russia still enjoys greater power than China – among the SCO priorities, Russia is reluctant to empower the organization to such a degree that it could question the need for the CSTO, where Russia remains the undisputed leader. Unlike the SCO, which only established a working group on Afghanistan last year and has achieved few real results, the CSTO has been working on developing a concept of security belts against drug trafficking in Central Asia and reinforcing joint capabilities, which still remain rather weak and practically untested in real operations. China, on the other hand, is reluctant to see any merger, even on an ad hoc basis, between the SCO and CSTO, perhaps due to the fact that such a union could strengthen Russia's role in the SCO. Any prospective enlargement of the SCO, which could include any or all of the existing observers (India, Pakistan, Mongolia and Iran), will multiply security problems within the “SCO area” while further undermining any chances for the creation of meaningful joint mechanisms to deal with them.

Economic Limitations

For many of the abovementioned reasons, the SCO's security portfolio will remain limited. At the same time, its economic agenda is expanding, thus posing potential limitations on Russia's power within the SCO. On one hand, Russia's economic presence in Central Asia is expanding rapidly. However, as Russian companies, with the Kremlin's support, are imposing tough bargains on their Central Asian counterparts in Tajikistan, Uzbekistan and even in Kazakhstan, there is a growing reluctance in the region to allow greater economic dependency on Russia. Russia's key strategic economic interest in CA is to gain control over its energy resources and its transportation routes to world markets. The recent deal signed between the presidents of Russia, Kazakhstan, and Turkmenistan on the construction of a gas pipeline along the eastern shore of the Caspian Sea has been trumpeted as a key Russian geo-political victory. Yet this approach contradicts the SCO agenda, according to which CA states should have the chance to diversify their export routes. Not only China, as a SCO member, but also India and Pakistan, as observers, are determined to use SCO membership as a vehicle to get access to CA resources and find ways to bring them into South Asia. The ideas of an integrated gas market or an alliance of gas-producing states, along the lines of the proposed gas OPEC, which was discussed by Putin and Iranian President Mahmoud Ahmedinejad on the fringes of the 2006 SCO summit in China, would not benefit all CA states and therefore could not become a SCO project. In those areas where the SCO as a regional institution can really contribute – such as regional infrastructure projects – China has so far demonstrated more interest and more willingness to commit funds than Russia. China has recently committed over \$600 million to finance projects in Tajikistan, including renovation and construction of roads and the construction of a 150-megawatt hydropower plant in Sughd province. Meanwhile the construction by Russian companies of another hydropower station in Tajikistan has been delayed.

Geo-political Divisions

Apart from the security and economic agenda, Russian support for the SCO is based on geo-political considerations, first and foremost, its ambition to reassert itself as a major international player and to counter what Russia sees as the expansion of US influence in its backyard. For Putin, the SCO represents a powerful argument with which to back Russia's multi-polar world vision – also shared by China – and present the vision of an alliance between Russia, China and India. This idea has been floated by Russia since Yevgeny Primakov's time as Russian Foreign Minister under President Yeltsin as a counter-balancer to the US and NATO. Although no such alliance can be created in practice for a variety of obvious reasons – such as continuing Sino-Indian tensions and India's close ties with the US, as well as it being a democracy – the SCO offers an opportunity to claim that such an alliance could be established within a wider framework. President Putin has on a number of occasions noted that the SCO has more population than any other international organization (counting the populations of India and China), the largest territory and a large share of global natural resources.

In addition to using the SCO as a tool to justify Russia's regional, and even global power ambitions, Russia, often with the support of China and most recently Uzbekistan, also uses the SCO as a rhetorical tool to deliver some tough messages to the US – such as the famous Astana Summit declaration on the need to withdraw all coalition troops and bases from Central Asia. In 2006 Putin spoke strongly against “creating any parallel structures” in the SCO space which could duplicate the role of the SCO. President Putin has been using the SCO as a powerful instrument to back up Russia's anti-Western rhetoric at home and to demonstrate that Russia and “its allies” could present a real challenge to the US and Western interests in Eurasia.

However, despite this campaign to promote the SCO, the organization is far from speaking with one voice in support of Russia's new zero-sum geo-political rivalry with the US in Eurasia. Despite the Astana declaration, US and NATO troops remain in Central Asia. They have a base in Manas (Kyrgyzstan) and continue to use facilities in Tajikistan and even in Uzbekistan, where German troops are stationed in Termez. Moreover, both Kazakhstan and Kyrgyzstan continue to expand their co-operation with NATO and the US. Even China is reluctant to back strong anti-Western rhetoric as part of SCO declarations. In fact China has been developing a constructive and positive dialogue with the EU and gradually with NATO. Moreover, any prospective enlargement of the SCO would mean that it will have even less appetite for any verbal confrontation with the West. Both India and Mongolia have close ties with the US, which they value more than their relations with SCO member states, and Pakistan remains a strong ally in the US war on terror. Only Iran, which is in a state of cold war with the US and has tense relations with the EU over its nuclear ambitions could move the SCO toward greater confrontation with the West, but its chances of obtaining full membership in the foreseeable future remain very low. Both Russia and China are reluctant to import the Iranian nuclear problem into the SCO umbrella. Sergei Ivanov, former Russian Defense Minister and now the front runner to succeed Putin in the Kremlin, has made it clear that Russia will never endorse any collective security guarantees to Iran, as a SCO observer, should the West decide to take any military action against it.

As Russia's relations with the West continue to deteriorate as a result of US plans to deploy missile defense systems in Central Europe or over Russia's decision to suspend its participation in the Conventional Forces in Europe (CFE) Treaty, or in response to Western criticism of Russia's domestic political developments, Russia could be tempted to use the SCO as a vehicle for reasserting its international role and to mount a strong opposition to Western policies. However, it is unlikely that other SCO members, including China, are open to a greater confrontation with the US and the EU. On the contrary they will be seeking ways to position the SCO as a partner to the West and to erase its image as a threat or an anti-Western political-military alliance.

Prospects

Of all the regional organizations in Central Asia, the SCO has the best chances to survive the test of time and continue developing in the future while maintaining its role as one of the key, if not the most powerful, regional multilateral mechanism. Russia has many powerful reasons to support the SCO. Among them is the need to engage with China constructively while simultaneously countering its power in an alliance with CA states, whenever China gets too powerful. The SCO also offers a number of economic incentives, as well as a platform for the security dialogue and for keeping the "multi-polarity rhetoric" alive for the benefit of domestic audiences as long as the US remains a skeptical unilateralist. However, the SCO will also pose real and increasing limits on Russia's ability to exercise its power in the region, not only due to China's unavoidable rise in CA, but also due to greater confidence among CA states themselves and the challenge posed by SCO enlargement.

Nevertheless, the SCO is good for Russia: it is the only platform where it can learn how to compromise, instead of dominating. Absorbing this lesson, in the end, could do more to help Russia to mature as a powerful and respected global player than its attempts to use the SCO to back up its great power rhetoric.

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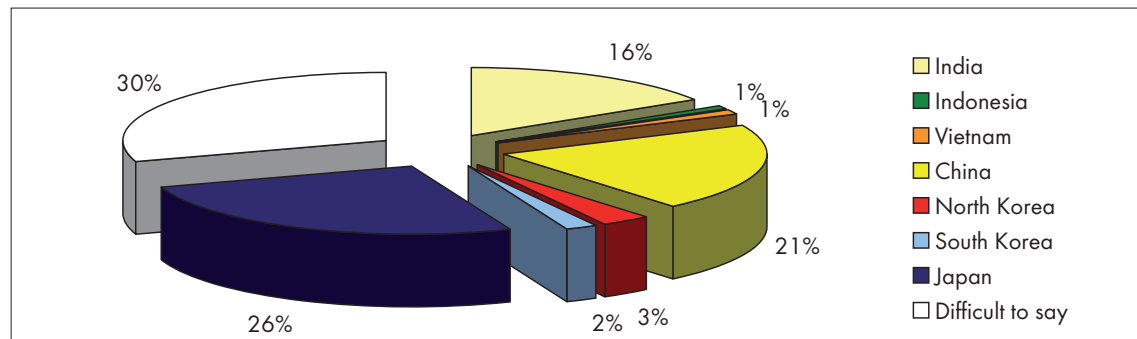
Recommended Reading

- Eugene Rumer "China, Russia and the Balance of Power in Central Asia," Strategic Forum No. 223, Institute for National Strategic Studies at the National Defense University, <http://www.ndu.edu/inss/Srforum/SF223/SF223.pdf>
- Oksana Antonenko, "Why the EU should not ignore the SCO," Centre for European Reform, http://www.cer.org.uk/pdf/policybrief_sco_web_11may07.pdf

Russian Views on their Asian Neighbors

Translated and compiled by Yuliya Yurchuk

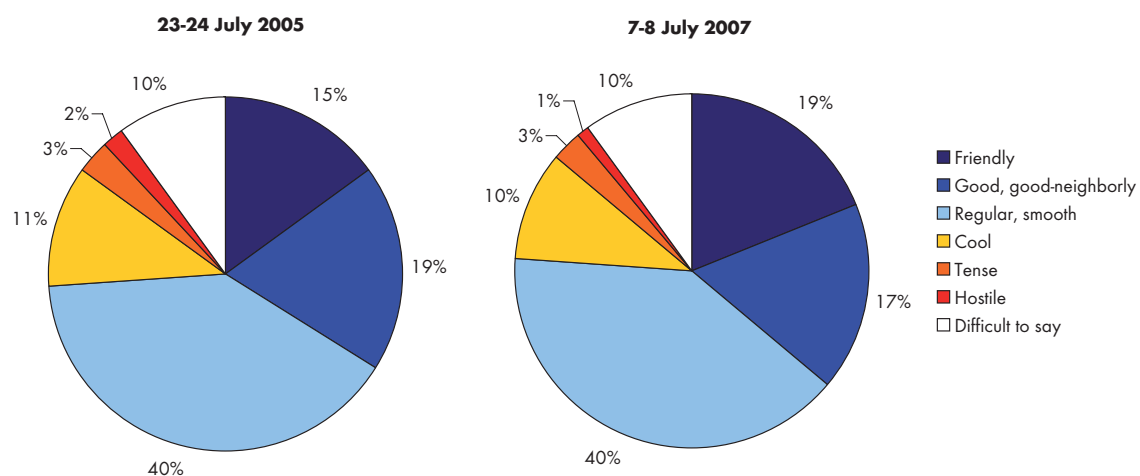
Who, In Your opinion, Should Become the Main Partner of Russia in South-East Asia?



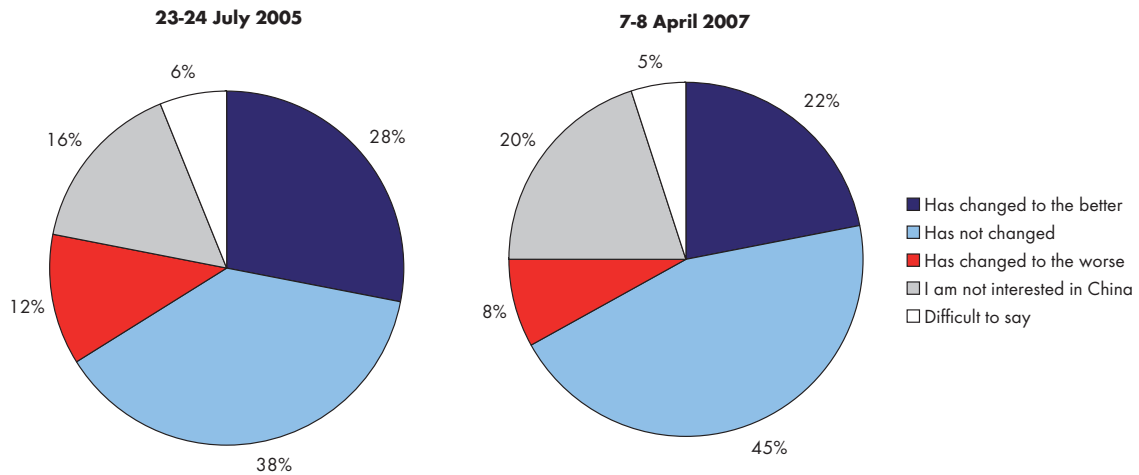
	Total sample	Federal Districts*						
		CFD	NWFD	SFD	PFD	UFD	SFD	FEFD
India	16%	17	14	15	18	18	20	8
Indonesia	1%	1	-	-	-	3	3	1
Vietnam	1%	1	-	0	2	-	1	-
China	21%	22	11	15	19	27	21	36
North Korea	3%	3	3	5	1	1	3	1
South Korea	2%	2	1	3	2	1	2	3
Japan	26%	23	31	28	25	35	23	24
Difficult to say	30%	31	40	34	33	15	27	27

* Abbreviations: CFD – Central Federal District, NWFD – North-Western Federal District, SFD – Southern Federal District, PFD – Privolzhskij Federal District, UFD – Ural Federal District, SFD – Siberia Federal District, FEFD – Far-East Federal District.

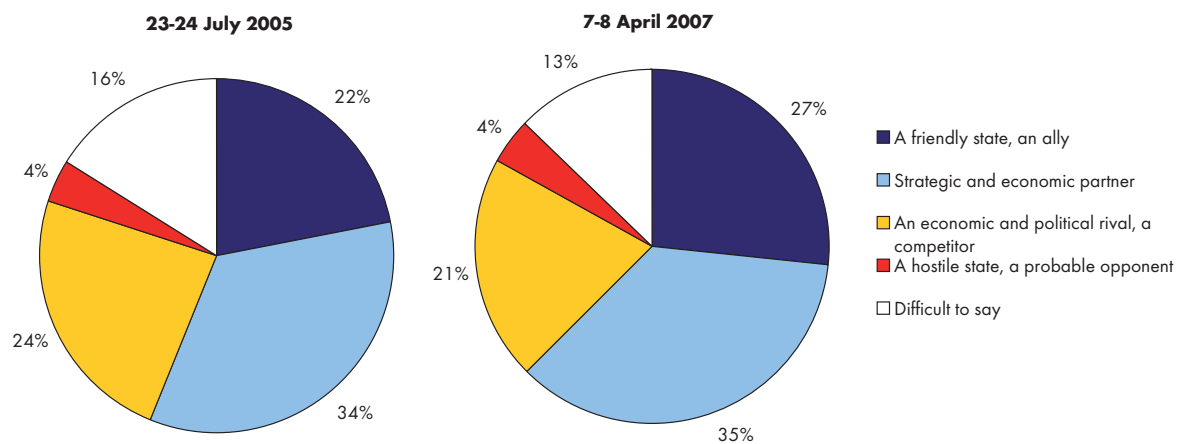
How Would You Regard the Current Relationship Between the Russian and Chinese Peoples?



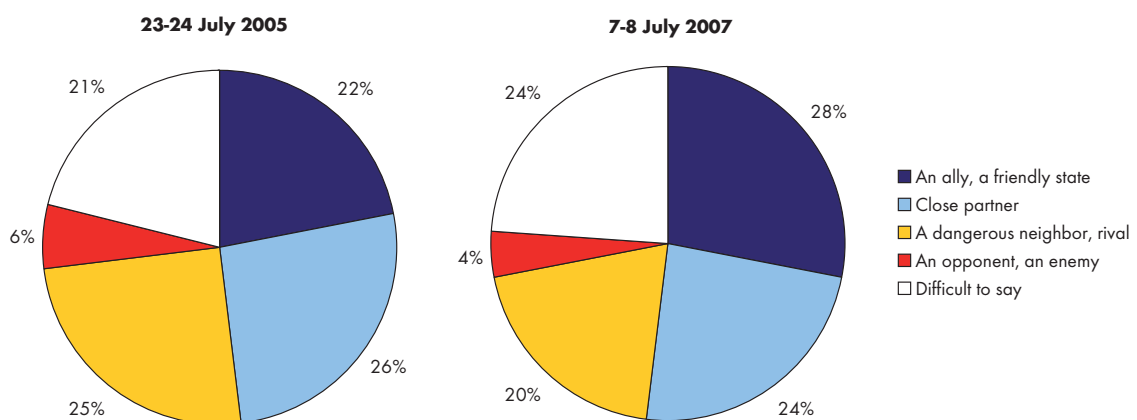
Has Your Opinion About China Changed During the Last 10 Years? If Yes, How?



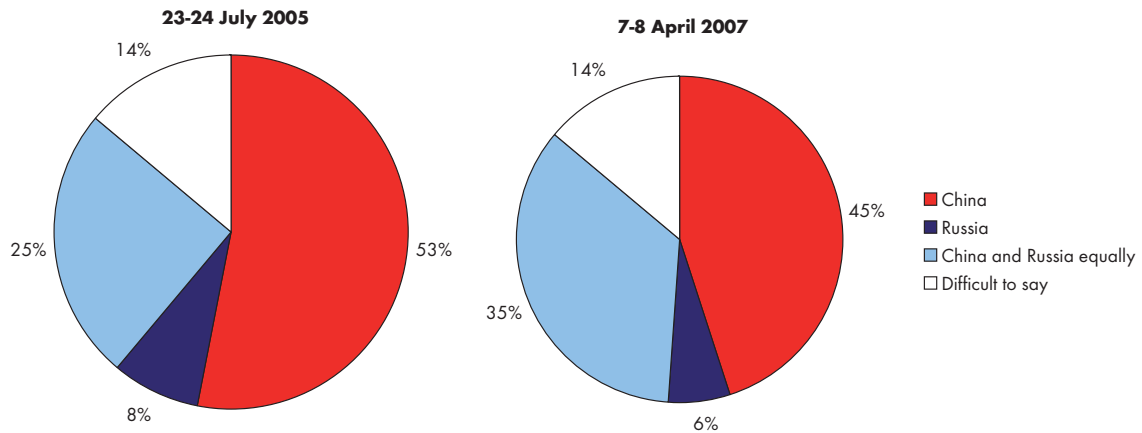
In Your Opinion, What Is China For Russia Today?



In Your Opinion, Will China Be a Friend or an Enemy of Russia In the 21st Century?



What Do You Think, Who Benefits More From the Economic Relations between Russia and China?



During the last decade Siberia and the Far East experienced a significant outflow of labor. The regional governors declare that their economy cannot develop without foreign labor. In your opinion, will participation of the Chinese firms and workers in the development of the riches of Siberia and the Far East be more likely useful or more likely dangerous to Russia?

	Total sample		Federal districts*						
	2005	2007	CFD	NWFD	SFD	PFD	UFD	SFD	FEFD
More likely useful	17%	16%	16%	23%	15%	14%	35%	11%	9%
More likely dangerous	66%	62%	61%	56%	71%	67%	37%	69%	57%
Difficult to say	17%	21%	23%	21%	14%	19%	28%	20%	34%

* Abbreviations: CFD – Central Federal District, NWFD – North-Western Federal District, SFD – Southern Federal District, PFD – Privolzhskij Federal District, UFD – Ural Federal District, SFD – Siberia Federal District, FEFD – Far-East Federal District

What Is Your Attitude Towards the Following Questions? (one answer for each point)

		Positive	More likely positive	More likely negative	Negative	Difficult to say
A. More goods from China are appearing in our shops	2005	11%	23%	35%	27%	4%
	2007	11%	25%	35%	21%	8%
B. Entrepreneurs and companies from China are acquiring property in Russia	2005	5%	9%	36%	46%	4%
	2007	2%	7%	37%	48%	6%
C. There are more and more workers from China in our country	2005	4%	10%	36%	45%	5%
	2007	3%	12%	37%	41%	7%

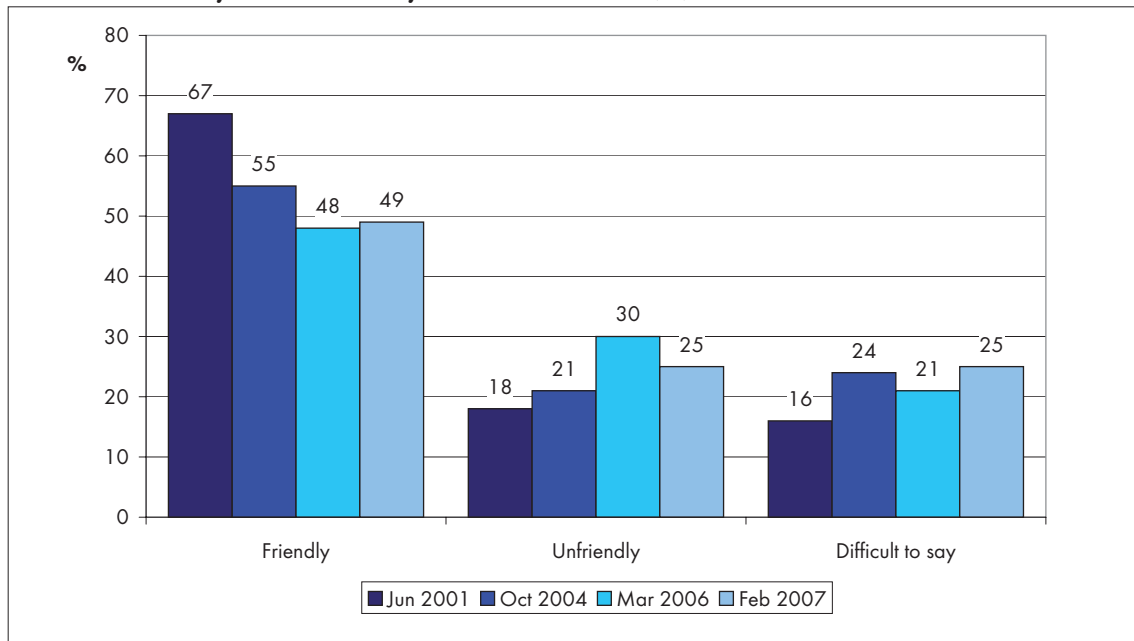
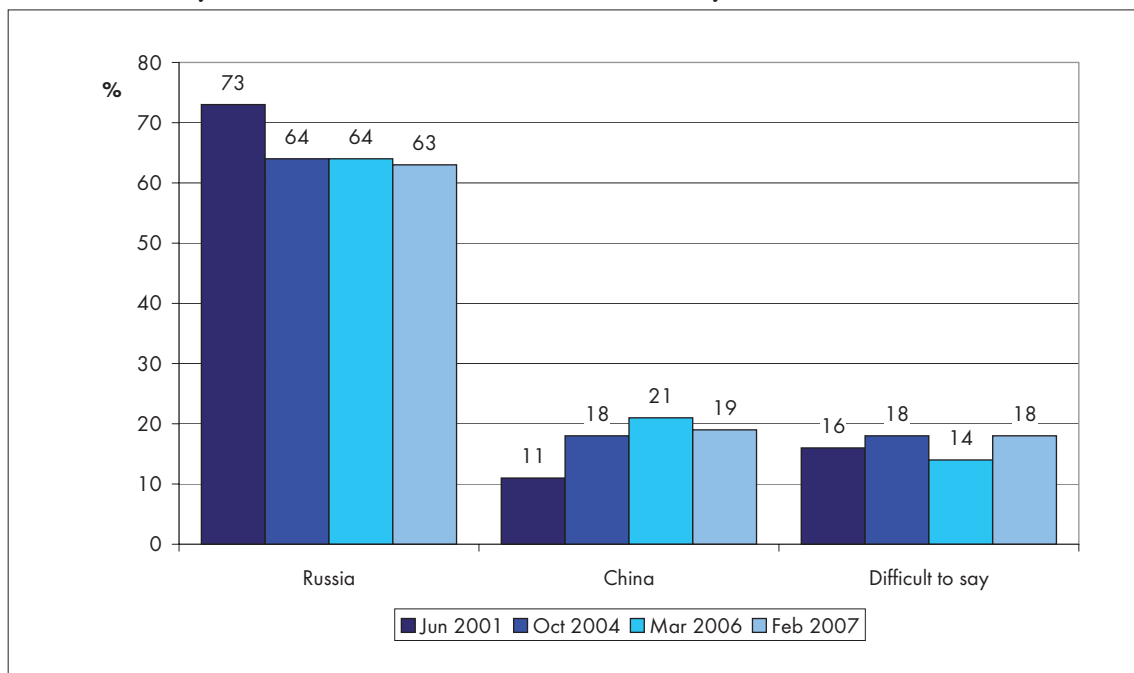
Do You Think the Following Should Be Limited Or Not? (one answer for each point)

		Yes	More likely yes	More likely no	No	Difficult to say
A. Import of goods from China to Russia	2005	29%	32%	24%	11%	4%
	2007	22%	35%	29%	7%	7%
B. Acquiring of property in Russia by Chinese entrepreneurs	2005	45%	19%	14%	19%	3%
	2007	43%	31%	12%	8%	6%
C. Free movement of workers from China to Russia	2005	43%	26%	15%	13%	3%
	2007	38%	34%	14%	7%	7%

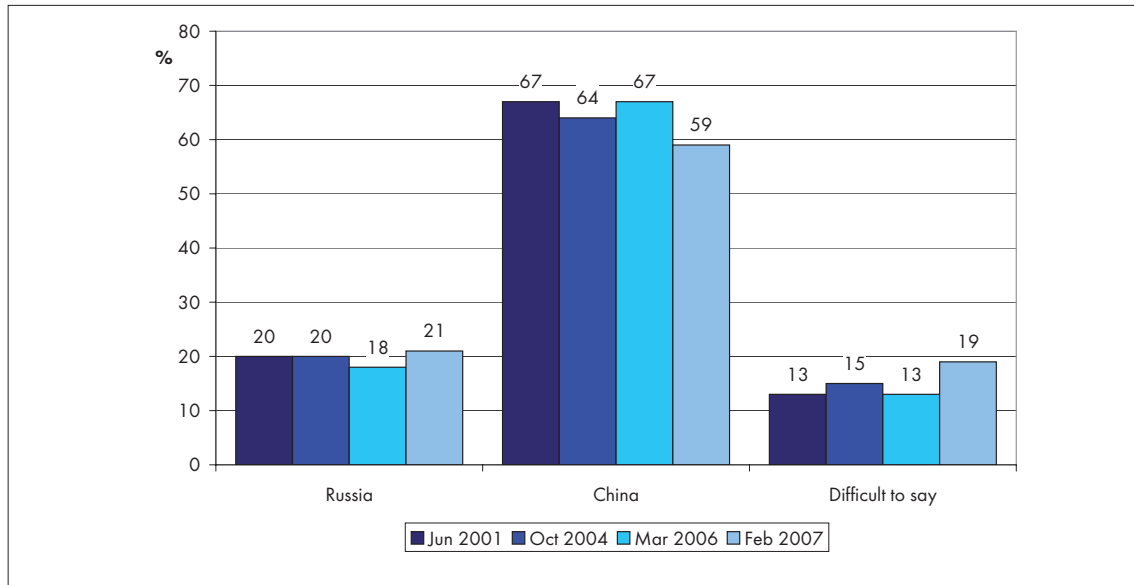
What Occurs To You When Talking About China? (open question, up to 5 answers)

Chinese goods, cheap consumer goods, markets	27
Large population, high birth rates	18
Rapid development of the country, achievement in economy	9
Bad quality of Chinese goods	9
Migrants, cheap labor	7
Culture, ancient culture	6
Human qualities of Chinese people (positive)	6
Great Chinese wall	4
Threat to Russia (territorial disputes, expansion, rivalry)	4
Friendship between the Chinese and Russian nations	3
Communism, Communist Party, Mao Zedong	3
Asian martial arts, Jackie Chan, Bruce Lee, Shaolin	2
Chinese cuisine, food	2
Rice	2
Dragons	1
Chinese medicine	1
Porcelain	1
Tee	1
Human qualities of Chinese people (negative)	1
Other	9
Difficult to say	24

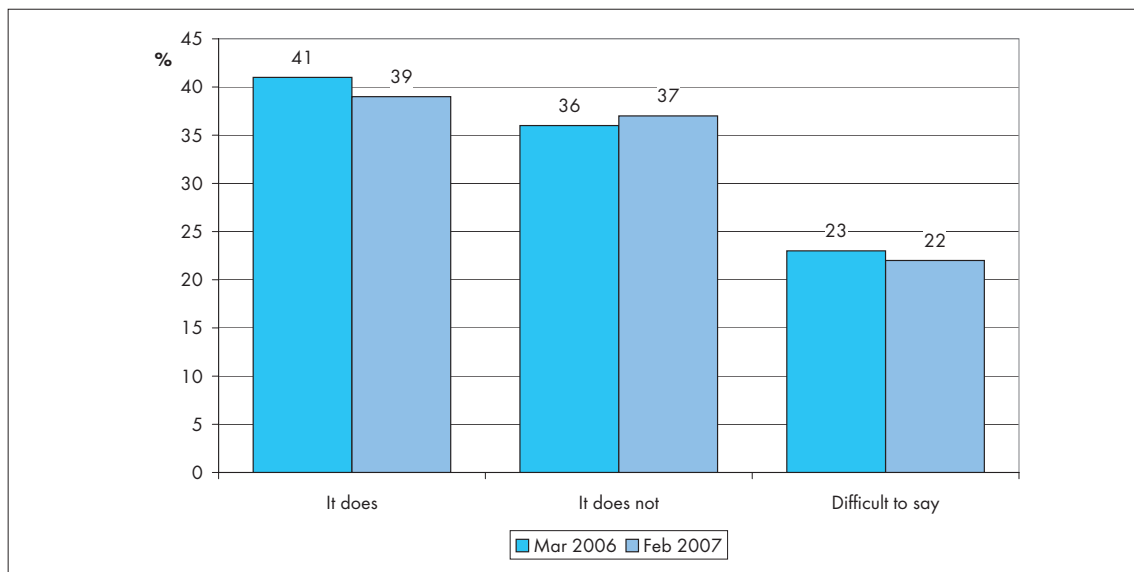
Source for the data on pages 48–51: http://wciom.ru/arkhiv/tematicheskii-arkhiv/item/single/4397.html?no_cache=1&cHash=b2dfbfaa46&print=1 The survey was conducted on 7-8 April 2007. 1600 men/women were asked in 153 towns in 46 oblasts, regions (kray) and republics of Russia. Statistical error does not exceed 3.4%.

Is China Friendly Or Unfriendly Towards Russia? (%)**Which Country Is More Influential In The World Today, Russia Or China? (%)**

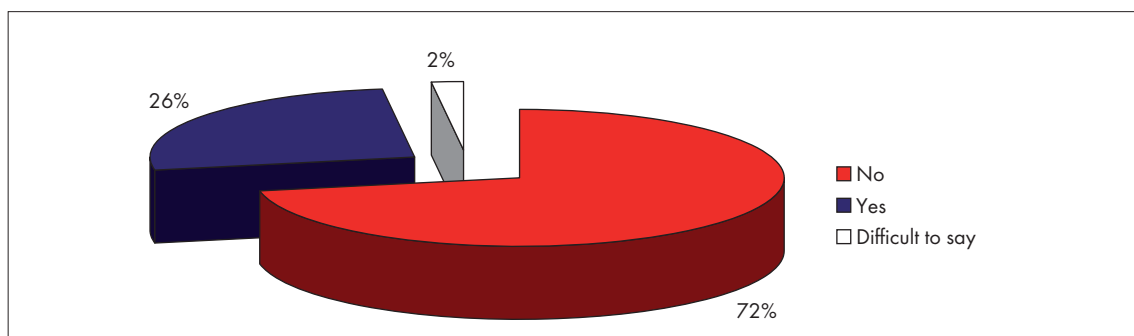
If You Compare Russia And China, Which Country, In Your Opinion, is Developing More Successfully, Russia Or China? (%)



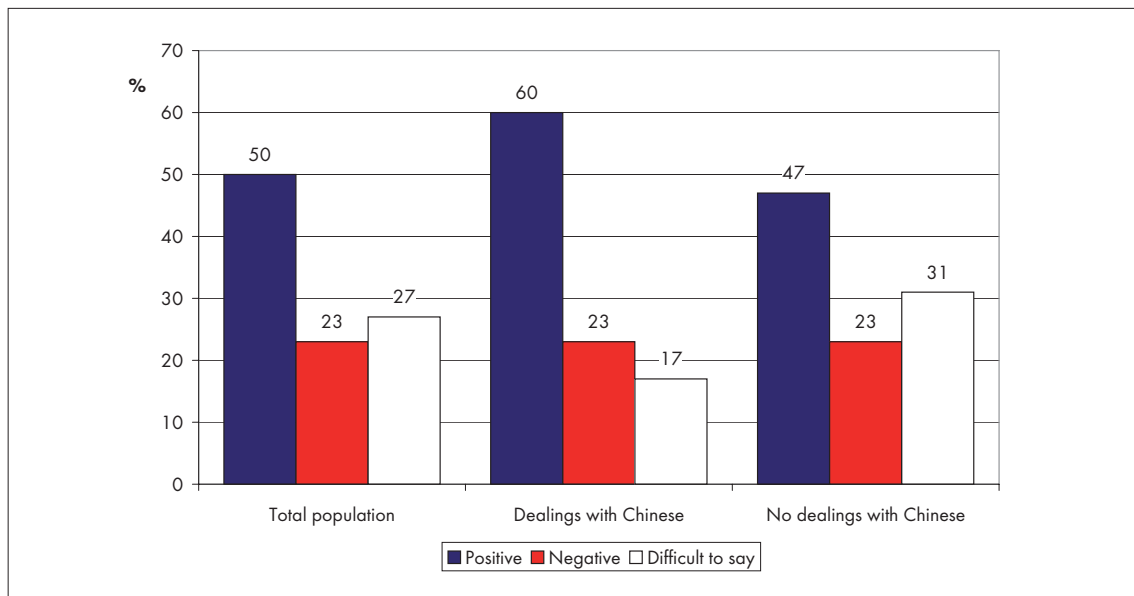
Does the Fact that China is Getting Stronger Threaten Russian Interests Or Not? (%)



Have You Ever Personally Had Dealings With Chinese?



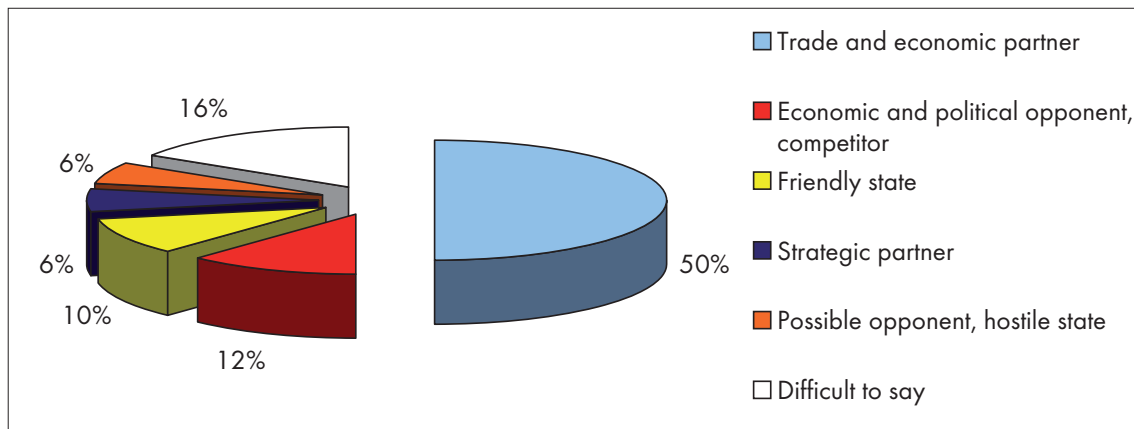
Is Your Attitude To The Chinese People Positive Or Negative?



Source for the data on pages 52–54: <http://bd.fom.ru/report/cat/frontier/countries/china/d070624> The survey was conducted in 100 towns of 44 oblasts, krais and republics of Russia. 3–4 February 2007. 1500 people were questioned. The statistical error does not exceed 3.6%.

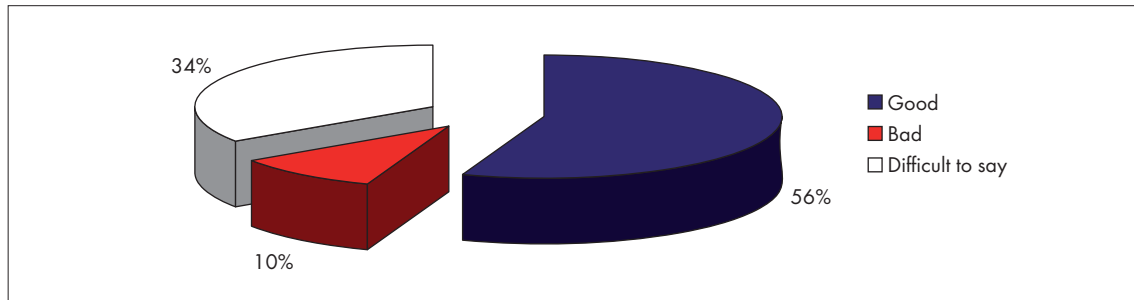
Russian Attitudes Towards Japan

What is Japan To Russia?

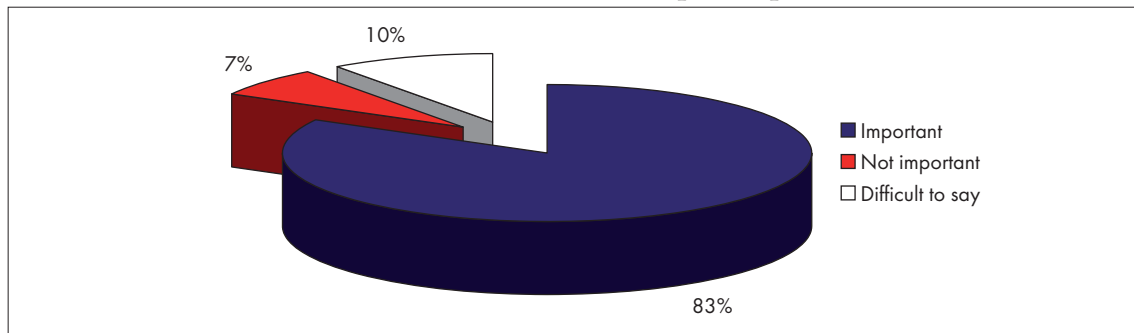


Source: http://wciom.ru/arkhiv/tematicheskiiarkhiv/item/single/2014.html?no_cache=1&cHash=7ae2e2e51d&print=1 The survey was conducted by VTsIOM on the 15–16 October 2005. 1579 people in 153 towns in 46 oblasts, regions (krai) and republics of Russia. Statistical error does not exceed 3.4%.

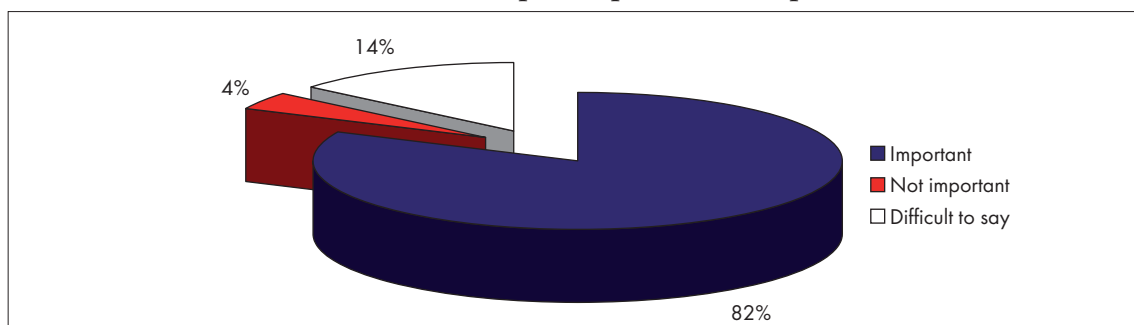
What Do You Think About the Relationship between Russia and Japan Today, Is It Good or Bad?



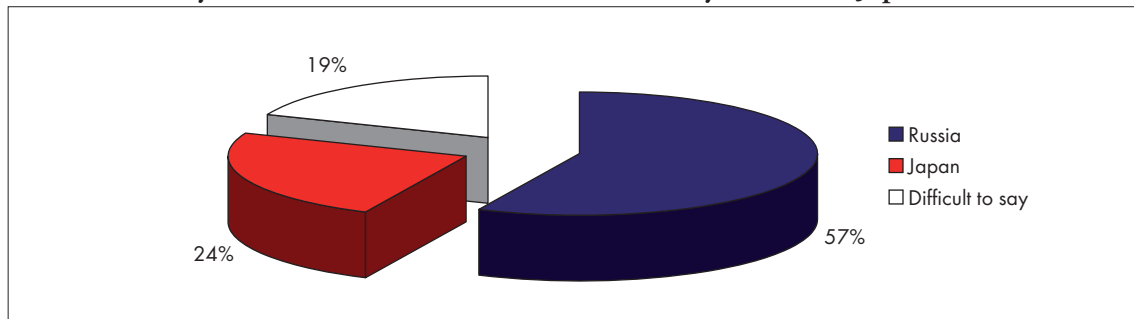
On The Whole, Are Relations between Russia and Japan Important For Russia or Not?



Are the Relations between Russia and Japan Important For Japan or Not?



Which Country Is More Influential In the World Today, Russia or Japan?



Source: <http://bd.fom.ru/report/cat/frontier/countries/Japan/tb054615>

The survey was conducted in 100 towns in 44 oblasts, regions (kray) and republics of Russia. The interviews were conducted on 12–13 November 2005. 1500 people were questioned. Additionally 600 people were questioned in Moscow. Statistical error does not exceed 3.6 %.

Nuclear Proliferation

Russia's Nonproliferation Tightrope

By Adam N. Stulberg, Atlanta

Abstract

Russia's posture towards nuclear nonproliferation seems increasingly schizophrenic. Over the past several years, Russia has begun to transition from the primary beneficiary of western cooperative nuclear assistance, to a G-8 partner at redressing other troubled nuclear regions. Moscow also has assumed leadership roles working with the International Atomic Energy Agency (IAEA), the U.S., and states interested in boosting nuclear power generation to implement creative solutions to reconcile commercial opportunities with nonproliferation objectives. Yet, the Kremlin has simultaneously accelerated strategic nuclear modernization, both to compensate for travails at the conventional level and to counter deployment of ballistic missile defenses in Europe. Moreover, its bullish pursuit of international nuclear commerce combined with the preoccupation for independently flexing its energy muscles, either by intention or not, has stoked controversial foreign nuclear activities and frustrated western efforts to confront them.

Moscow Pursues Contradictory Goals

Although a far cry from the strategic contradictions precipitated by the domestic chaos during the initial post-Soviet years, Russia's nonproliferation posture nonetheless tests Moscow's diplomatic skill and international goodwill. The Kremlin today must walk a tightrope between demonstrating leadership on nonproliferation issues and indulging strategic temptations, both without alienating needed foreign partners or customers. Others, however, must avoid over-reacting to Moscow's parochial gambits, so that mutual benefits of cooperation on first-order security interests are not lost amid mounting annoyance and acrimony.

Not surprisingly, Putin's nuclear diplomacy raises a set of profound questions. First, what is Russia up to? What are the dimensions to its policies, and how does it strive to reconcile competing impulses? Second, how effective is Russia's posture? Can it sustain the delicate balancing act? Finally, in light of these motives and constraints, how can we assess Moscow's renewed activism in the commercial nuclear and nonproliferation spheres? What may be gained (or lost) from extending cooperative engagement with Russia? Answers to these questions are critical for advancing international partnership with Russia, as well as for strengthening the nuclear nonproliferation regime.

Moscow's Two Nuclear Faces

Throughout the Cold War, the Soviet Union served as a bulwark against nuclear proliferation. Its collapse and the protracted transition that ensued, however, overtaxed Moscow's capacity to control its nuclear inheritance, let alone to remain a pillar of the global nonproliferation effort. Instead, Russia became associated with the problems of post-Cold War nuclear proliferation, and a supplicant for cooperative assistance to arrest possible leakage of indigenous weapons technology, fissile material, and scientific expertise from the vast and exposed Soviet nuclear complex.

With the country's economic and political resurgence under President Putin, Russia's posture noticeably started to change even before the 9/11 terrorist attacks. Acknowledging Russia's vulnerability as a "front-line" state, Putin pronounced nuclear terrorism as the greatest security threat facing the international community. The 2006 "White Paper on Nonproliferation" targeted transnational nuclear networks, as well as weak, poorly coordinated, and instrumentally motivated export controls (both national and multilateral) as priorities for strengthening the nonproliferation regime. Rhetoric was matched by action, as Russia served as a constructive member of the 6-Party talks that negotiated reversal of North Korea's enrichment and reprocessing programs. Moscow also pursued a soft-landing to the stand-off between the U.S. and Iran over the latter's nuclear energy program by proposing to create a joint venture for enriching uranium on Russian soil and to take back related spent nuclear fuel in return for Tehran's promise to forgo these indigenous programs. By the same token, the Russian government took strides towards invigorating cooperative nuclear assistance with the U.S., launching a "Global Initiative to Combat Nuclear Terrorism" to improve cooperation on law enforcement against nuclear terrorists, and co-signing recently the fifth "Bratislava Report" to continue progress towards converting the world's research reactors from using highly enriched uranium to

more proliferation resistant low enriched uranium (LEU). Under Putin's direction, legislation was passed to give force to a new "umbrella agreement" clarifying legal liability for accidents encountered on assistance projects. This was coupled with agreement between the Department of Energy and the Russian Federal Agency for Atomic Energy (Rosatom) on key milestones for completion of planned security upgrades at warhead and weapons-usable nuclear material sites by the end of 2008, and maintenance of nuclear security and accounting systems solely by Russian resources by early 2013.

Yet, Moscow's simultaneous steps towards revitalizing the nuclear complex have sent conflicting signals. The Russian leadership, for example, affirmed a lower use threshold for nuclear weapons and limited strike options as part of its refined thinking on deterrence, as well as voiced strong determination to modernize all legs (land-, sea-, air-based) of the strategic triad. The government also streamlined budgetary outlays for development and deployment of modern ICBMs, SLBMs, a nuclear submarine class, and a nuclear cruise missile, as well as extended the service-lives of several other systems and broached resumption of around-the-clock strategic air patrols. At the same time, Moscow endorsed Iran's essential right to nuclear power, going so far as to obstruct harsher sanctions on Tehran by the U.N. Security Council. Against this backdrop, the Kremlin's general enthusiasm for the current nuclear energy renaissance, though not a violation of international nonproliferation norms per se, has raised concerns about Russia's mixed motives. In particular, the Putin regime set its sights on increasing domestic nuclear capacity at least 2.3 times by 2030 to cover over 25 percent of the country's electricity demand, as well as on exporting upwards of 60 nuclear power plants, including floating reactors, and importing foreign-origin spent nuclear fuel over the next two decades. To realize these ambitions, the state company, Atomenergoprom, was established in spring 2007. Modeled on the predatory gas monopoly, Gazprom, this vertically-integrated state corporation was formally charged with uniting commercial components of the nuclear complex to aggressively pursue competitive advantages at growing domestic power generation output, developing new nuclear fuel initiatives, leveraging non-governmental ownership of civilian nuclear assets, and expanding reactor construction world-wide. This was complemented by the October 2007 reorganization of Rosatom into a unified state corporation with overall responsibilities for merging regulation of military, industrial, and scientific enterprises of the nuclear complex, as well as for supervising radiation safety and attracting private investment to propel the state's nuclear program.

Squaring Circles?

Though committed to pursuing multiple objectives, Moscow's policies recently have focused on reconciling strategic opportunism with nonproliferation leadership. This is manifest in the indirect, quiet, and proactive approaches to dealing with Iran's nuclear ambitions and advancing the multilateral dialogue on nuclear fuel supply guarantees.

On the one hand, Putin distanced Russia from the gathering international confrontation with Iran. He publicly questioned U.S. and European concerns about the latter's intentions to develop nuclear weapons, and blocked a third set of tougher U.N. sanctions until the IAEA reports on Tehran's past nuclear activities by the end of 2007. During his historic October 2007 visit to Iran, he reassured his hosts of Russia's commitment to complete construction of the Bushehr reactor and his belief in their peaceful objectives. Assuming a "no news is good news" orientation towards Tehran's plans for nuclear weapons, Putin condemned talk of a western military strike as "disproportionate and incommensurate" with Iran's actions, as well as trumpeted progress towards denuclearizing North Korea as the model for stepping back from the brink.

On the other hand, by the end of 2006 Russia began quietly to ratchet up pressure on Iran to comply with international demands for transparency. Noticeably miffed by Tehran's snubbing of earlier offers to provide sub-contracting services for Iran's uranium-enrichment, Putin endorsed two rounds of moderate sanctions imposed by the U.N. Security Council. This was followed in 2007 by construction delays at the Bushehr reactor that coincided with escalation of American and French pressure on Tehran. Frustrated by Iran's failure to meet more than 60 percent of its financial obligations by the end of 2006 and by subsequent shortfalls collecting on the agreed \$25 million per month, as well as by attendant troubles with receiving parts from third parties, the Russian project contractor, Atomstroyexport, openly questioned the profitability of the deal and pushed back the operational launch of the reactor by a year to late 2008, despite having completed over 90 percent of the construction. Although dismissive of Iranian accusations of being in political cahoots with the west, Putin nonetheless refused to specify when Russia might supply the needed nuclear fuel, on grounds that the international seals and safeguards necessary for transport have not been readied. Despite Tehran's vehe-

ment rejection of an outstanding debt and lures of additional reactor contracts to Russia to expedite technical support, Moscow has continued to drag its feet. By presenting Russia as a sober-minded commercial and political partner for Tehran, while indirectly slowing development of the Bushehr reactor, Putin has sought to position Russia to wrest commercial concessions from Tehran and garner greater international stature as a constructive mediator.

Similarly, Moscow took the initiative to mitigate potential proliferation externalities attendant to the projected global expansion of nuclear commerce. Emboldened by the IAEA's promotion of multilateral guarantees for nuclear fuel service, Putin offered to create on Russian soil the first of a series of enrichment centers under international safeguards. Throughout 2006, this evolved into a workable plan for converting the under-utilized Angarsk Electrolysis Chemical Combine into the first "non-discriminatory and transparent" enrichment center, open to all states intent on developing nuclear power that lack the indigenous capability and are members in good standing of the Nuclear Nonproliferation Treaty. Russia urged potential partners to accept the IAEA's "additional protocol" for more stringent safeguards, and in October 2007 Putin signed a bill to ratify such an agreement with the international watchdog as an imprimatur. The center marked a step towards not only boosting business for national firms but enhancing confidence in enrichment supply via inter-governmental and commercial contracts that would allow members to invest and share in ownership, management, and profits, without providing foreign access to sensitive enrichment technology. The first deal was inked with Kazakhstan in May 2007 for joint uranium mining, nuclear reactor development, and supply of LEU for Kazakh fuel fabrication. This was followed by proposals to Ukraine, with expectations that similar discussions with Armenia, Belarus, South Africa, and the members of the Shanghai Cooperation Organization would soon follow. In October 2007, Russia offered to place under international managerial control a reserve of \$300 million worth of LEU by the beginning of 2008 to jump-start the IAEA's promotion of an international "fuel bank." Despite ambiguities concerning future funding, membership eligibility, administration, and environmental and safeguards procedures, the international community, led by the IAEA and U.S., welcomed the center as integral to an emerging multilateral framework for implementing workable nonproliferation measures to stem the diffusion of dual-use enrichment and reprocessing technologies among nuclear power-seeking nations.

Beyond the Kremlin's Grasp

The success of this delicate diplomatic maneuvering, however, hinges ultimately on factors beyond the Kremlin's direct control. Although the movement towards an international showdown with Iran presents opportunities to carve out an independent role, Russia possesses few reliable levers to direct the sides towards a peaceful resolution. More generally, Moscow lacks the economic muscle to assert leadership over international nuclear commerce and nonproliferation. Russian suppliers do not enjoy market power at the front- or back-ends of the nuclear fuel cycle, and also face manufacturing bottlenecks for key technologies, such as reactor turbines and centrifuges, that together constrain immediate prospects for leveraging commercial transactions for political effect. As evidenced by the September 2007 deal for the delivery of 4,000 tons of uranium from Australia, Russia will remain dependent on imports (with no control over prices) to meet the expected rise in domestic demand, let alone to satisfy ambitions to fuel foreign reactors. Similarly, the joint venture with Kazakhstan is limited by the latter's commitments to diversifying uranium exports and delving deeper into fuel assembly markets tailored primarily to western reactor standards. As with other commercial nuclear deals with Kazakhstan, Kyrgyzstan, and Ukraine, as well as with the earlier program to import foreign-origin spent nuclear fuel, Russia is commercially handcuffed at imposing responsibilities on its partners and exploiting these arrangements to secure favorable debt-equity stakes in foreign enterprises. Together with international concerns about Russia's willingness to meet the IAEA's safeguards requirements, as well as about promises not to divert imported uranium and related technologies to military purposes or to withhold deliveries for political reasons, the economics of global nuclear commerce do not augur well for Moscow to dictate the strategic terms for engagement.

The recentralization of the nuclear complex also has not necessarily conferred greater state control. Redundant and ambiguous lines of authority between new agencies tasked with managing the nuclear sector create conditions ripe for rivalry between federal and regional offices, civilian and military bureaucracies, and the security services and diplomatic corps. This, in turn, is likely to perpetuate problems associated with unreliable foreign access to Russia's nuclear sector and funding shortages for key non-commercial activities, such as nuclear safeguards, safety, and environmental protection. It also is not clear that state subsidies and opaque corporate governance structures can allay anxieties facing minority private investors or improve the profitability of the nuclear industry. Moreover, corruption remains a problem across the nuclear fuel complex, as evidenced

by constant complaints of “vanishing” investment funds, bribe-taking and abuse of office by official managers, and the rising incidence of “non-accidental death and desertion” among guard units assigned to the nuclear cities. In short, practical gaps between centralization and control limit the Kremlin’s institutional wherewithal to balance its nuclear commercial and nonproliferation ambitions.

The Way Ahead

Upon closer inspection, there is both more and less to the Kremlin’s nuclear nonproliferation posture. There is more in the sense that the leadership has undertaken concrete measures to parlay the country’s economic, political and strategic resurgence into grandiose commercial pursuits while maintaining sincere commitments to containing the diffusion of nuclear weapons and fissile material. At the same time, there is less to Moscow’s statecraft and capacity to exert stewardship over the nuclear policies of other states, given deep-seated market and institutional barriers. Despite Moscow’s strategic activism, it can neither dominate regional decision-making or markets, nor impose via administrative fiat a predatory nuclear leviathan on par with its presence in the gas sector.

Yet, Moscow’s predicament offers prospects for revitalizing global nonproliferation. Irrespective of the constraints on unilateralism, the international community stands to benefit from engaging Moscow in the search for creative solutions to regional problems and credible nuclear fuel service guarantees. By forging new partnerships with Russia to extend its newfound resources and vast experiences with cooperative nuclear assistance to other troubled regions, the U.S. and others not only can avert costly nuclear showdowns that advance their own interests, but can offer mutually advantageous opportunities for Russia to reclaim its stature as a global leader of nonproliferation.

About the Author

Adam N. Stulberg is Associate Professor and Co-Director of the Center for International Strategy, Technology, and Policy at the Sam Nunn School of International Affairs at the Georgia Institute of Technology.

Recommended Reading

Elena Sokova & Cristina Hansell Chuen, “Nuclear Power Broker,” *Bulletin of the Atomic Scientists* (September/October 2007), pp. 51–54.

Related Yearbooks

- The United Nations DISARMAMENT YEARBOOK, Office for Disarmament Affairs
New York, 2007

<http://disarmament2.un.org/yearbook-2006/DY2006.pdf>

The Office for Disarmament Affairs draws your attention to its website at <http://disarmament.un.org> where free access is available to the electronic version of the 2006 Yearbook, as well as the archive annual editions from 2002 to 2005.

Among the many other electronic resources, you will find regularly updated information on various disarmament issues, the departmental database on the status of disarmament and arms regulation agreements, and electronic versions of all the resolutions and decisions covered in the Yearbook.

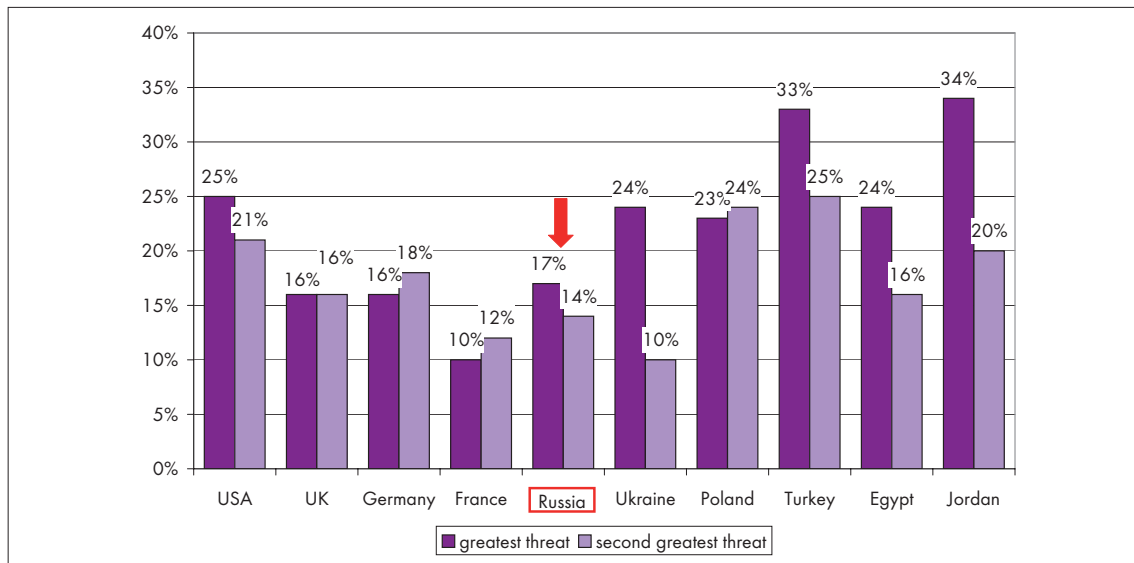
- SIPRI YEARBOOK 2007: Armaments, Disarmament and International Security, Publisher: Oxford University Press, ISBN 978-0-19-923021-1 - hardback, 752 pp.

http://books.sipri.org/product_info?c_product_id=346

The 38th edition of the SIPRI Yearbook analyses developments in 2006 in security and conflicts; military spending and armaments; and non-proliferation, arms control and disarmament, with extensive annexes on arms control and disarmament agreements and a chronology of security- and arms control-related events.

International Opinion Survey on the Spread of Nuclear Weapons

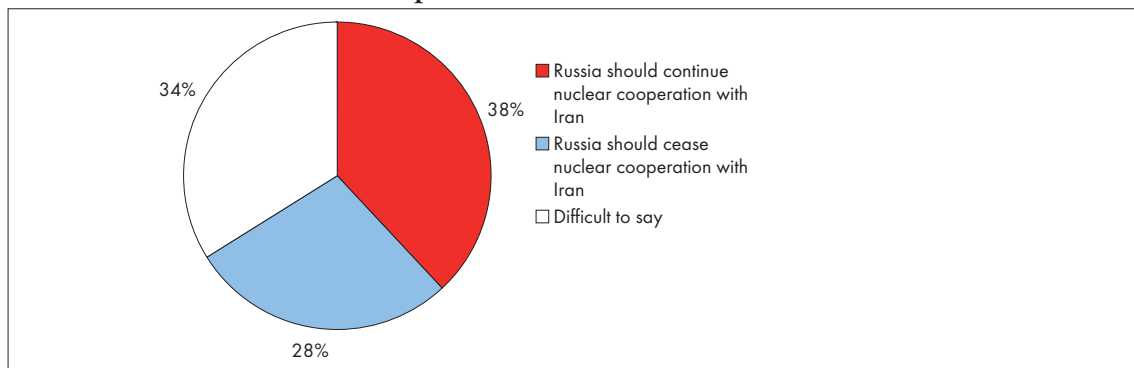
Do You See the Spread of Nuclear Weapons as the Greatest or Second Greatest Threat to the World?



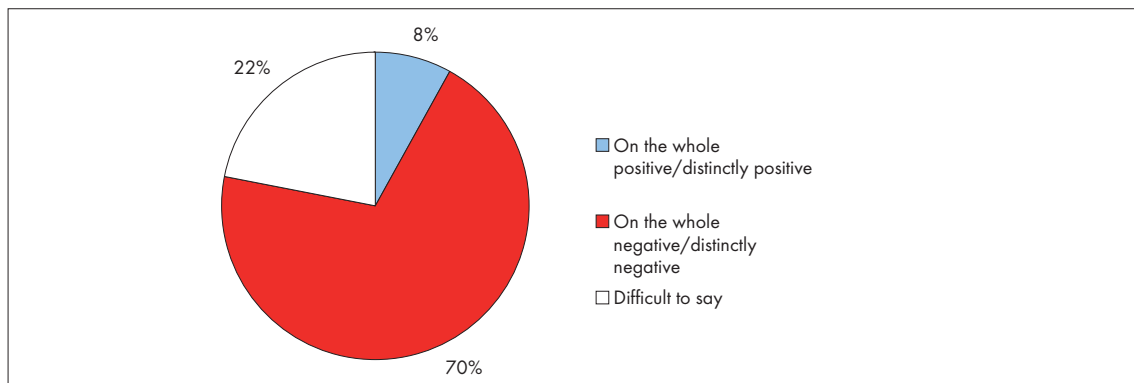
Source: Pew Global Attitudes Project: Spring 2007 Survey, Survey of 47 Publics, FINAL 2007 TRENDS TOPLINE, <http://pewglobal.org/reports/pdf/256topline-pastyears.pdf>, pp. 2–5

Opinions of the Russian Population on Nuclear Proliferation

Russia's Nuclear Cooperation with Iran is Worrying Western States. Should Russia Continue or Cease Nuclear Cooperation with Iran?



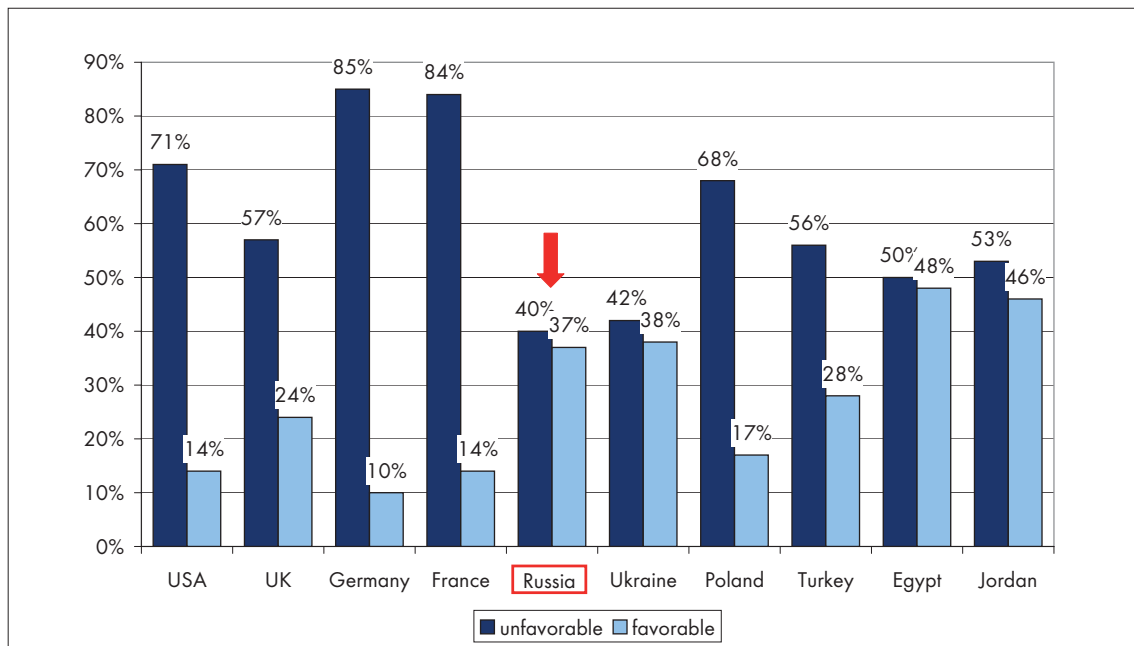
What is Your Opinion on Possible “Precision Strikes” against Nuclear Installations or Camps of the “Iranian Revolutionary Guard” in Iran?



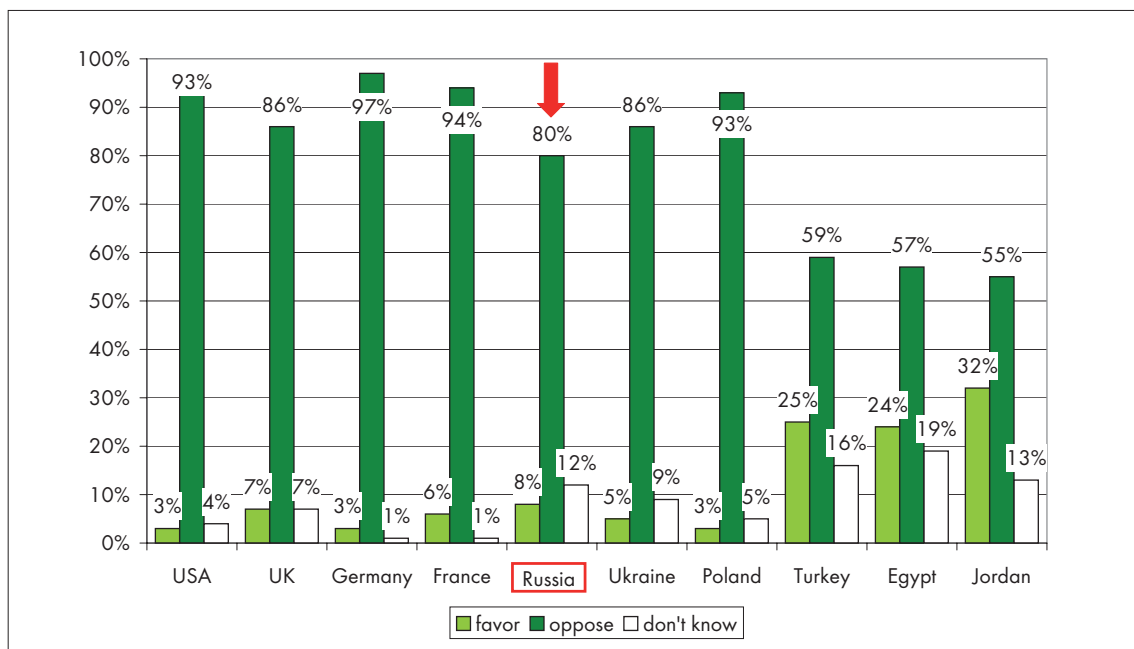
Source: Opinion survey by the Levada Institute, 15 October 2007, <http://www.levada.ru/press/2007101504.html>

International Opinion on Iran

Do You Have a Favorable or an Unfavorable View of Iran?

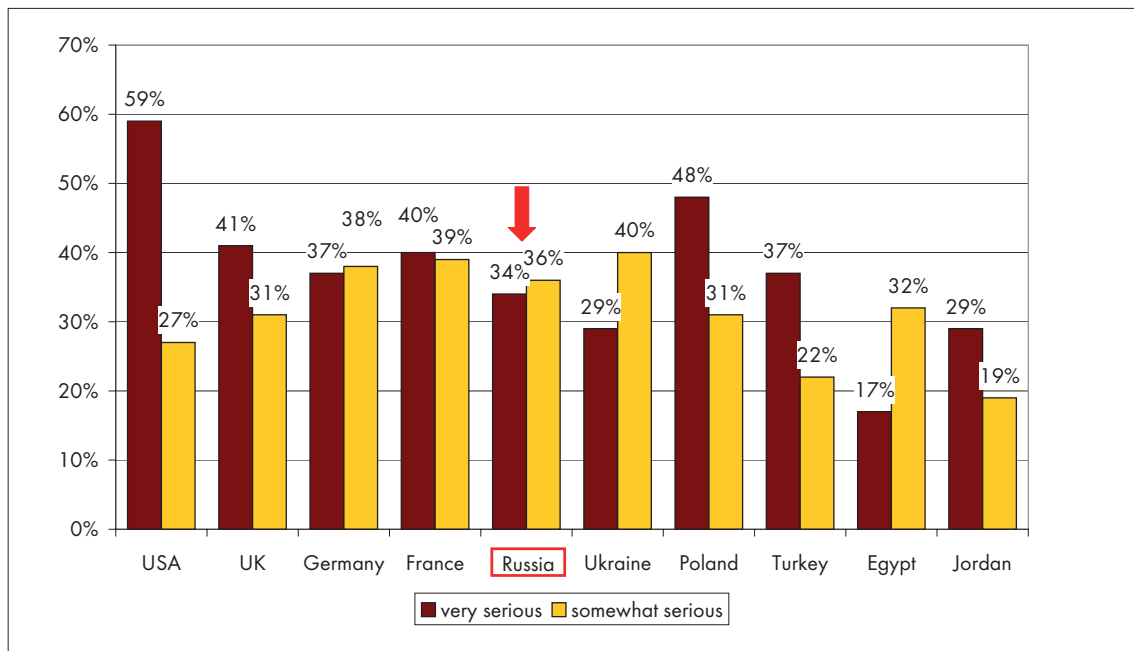


Do You Favor or Oppose Iran Acquiring Nuclear Weapons?



Global Unease With Major World Powers. Rising Environmental Concern in 47-Nation Survey. 47-Nation Pew Global Attitudes Survey. Released: 27 June 2007, <http://pewglobal.org/reports/pdf/256.pdf>, 28.6.2007, p. 47 and 52

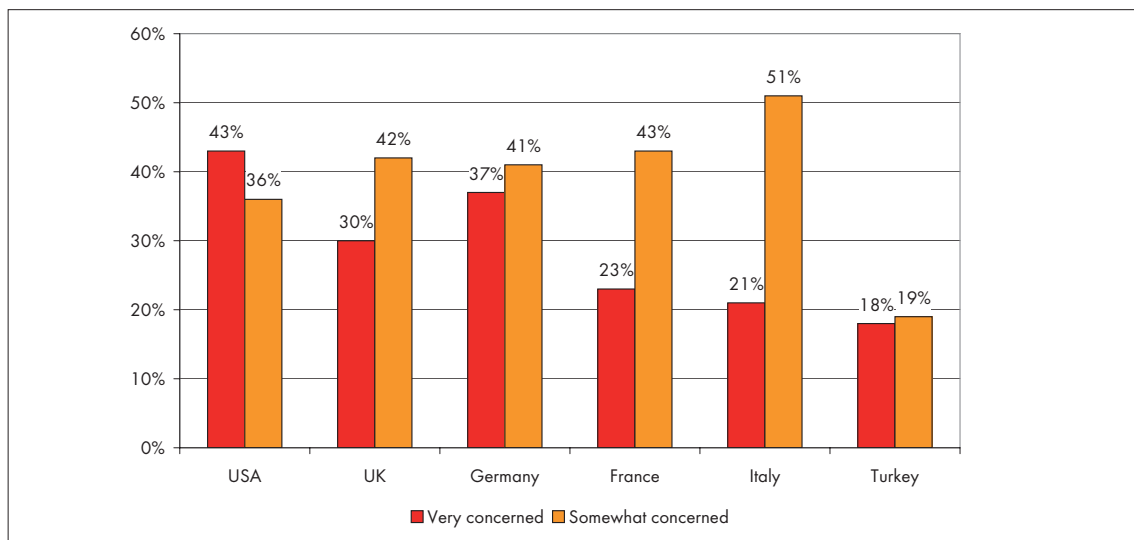
What will the Threat to Your Country Be if Iran Acquires Nuclear Weapons?



Global Unease With Major World Powers. Rising Environmental Concern in 47-Nation Survey. 47-Nation Pew Global Attitudes Survey. Released: 27 June 2007, <http://pewglobal.org/reports/pdf/256.pdf>, 28.6.2007, p. 53

International Opinion on Russia and the Middle East

As You May Know, Some People Are Concerned about Recent Developments in Russia. Those Who Are Concerned Give a Number of Different Reasons. To What Extent Are You Concerned or Not about Russia's Role in Providing Weapons to Countries in the Middle East?



Source: Transatlantic Trends Key Findings 2007, http://www.transatlantictrends.org/trends/doc/TT07Toplevel_FINAL.pdf, 7 September 2007, p. 46.

Documentation: The Treaty on the Non-Proliferation of Nuclear Weapons (NPT)

The NPT is a landmark international treaty whose objective is to prevent the spread of nuclear weapons and weapons technology, to promote cooperation in the peaceful uses of nuclear energy and to further the goal of achieving nuclear disarmament and general and complete disarmament. The Treaty represents the only binding commitment in a multilateral treaty to the goal of disarmament by the nuclear-weapon States. Opened for signature in 1968, the Treaty entered into force in 1970. On 11 May 1995, the Treaty was extended indefinitely. A total of 190 parties have joined the Treaty, including the five nuclear-weapon States. More countries have ratified the NPT than any other arms limitation and disarmament agreement, a testament to the Treaty's significance.

The provisions of the Treaty, particularly article VIII, paragraph 3, envisage a review of the operation of the Treaty every five years, a provision which was reaffirmed by the States parties at the 1995 NPT Review and Extension Conference.

To further the goal of non-proliferation and as a confidence-building measure between States parties, the Treaty establishes a safeguards system under the responsibility of the International Atomic Energy Agency (IAEA). Safeguards are used to verify compliance with the Treaty through inspections conducted by the IAEA. The Treaty promotes cooperation in the field of peaceful nuclear technology and equal access to this technology for all States parties, while safeguards prevent the diversion of fissile material for weapons use.

The 2005 Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) met at the United Nations in New York from 2 to 27 May 2005. A total of 153 States parties to the Treaty participated in the event. The Conference was unable to produce a consensus substantive outcome on the review of the implementation of the provisions of the Treaty. Several of the Conference side events, such as the Mayors for Peace appeal, in particular commemorated the 60th anniversary of the atomic bombings of Hiroshima and Nagasaki.

Source: <http://disarmament2.un.org/wmd/npt/index.html>

Four states with nuclear weapons are not parties to the NPT: India, Israel, North Korea (withdrawal in 2003) and Pakistan.

Nuclear Powers

Country	Warheads active/total	Year of first test
Five nuclear weapons states from the NPT		
Russia	5,830 / 16,000	1949 ("RDS-1")
United States	5,163 / 9,938	1945 ("Trinity")
United Kingdom	750	1952 ("Hurricane")
France	350	1960 ("Gerboise Bleue")
China	130	1964 ("596")
Other known nuclear powers		
India	70–120	1974 ("Smiling Buddha")
Pakistan	30–80	1998 ("Chagai-I")
North Korea	1–10	2006 ("The Beginning")
Undeclared nuclear weapons states		
Israel	75–200	unknown or 1979 ("Vela Incident")

Source: Wikipedia, http://en.wikipedia.org/wiki/List_of_states_with_nuclear_weapons

For the full text of the Treaty, see: <http://disarmament.un.org/TreatyStatus.nsf>

Maritime Border Conflicts

US-Russian Bering Sea Marine Border Dispute: Conflict over Strategic Assets, Fisheries and Energy Resources

By Vlad M. Kaczynski, Warsaw School of Economics¹

Abstract

Despite the universal implementation of the Law of the Sea principles in defining national sovereignty over coastal waters and the end of the Cold War, Russia continues to press marine border disputes with several neighboring countries. The most important conflicts are with the United States, Norway, and Japan. Fortunately, these are not military confrontations, but political disputes over the economically and strategically important marine regions claimed by all four countries. At stake are strategic considerations, abundant fish resources and large oil and gas deposits at the bottom of the sea. This article discusses the history of the US-Russian conflict, the viewpoints of both sides, and the impact of this dispute on access to marine living resources of the area.

Historical Overview

In 1867 the United States purchased the territory of Alaska, acquiring nearly 600,000 square miles of new territory. The land was purchased for \$7.2 million or approximately 2 cents per acre. The purchase agreement defined a marine boundary between Russia and the newly acquired US territory. This boundary was readdressed in a 1990 treaty, commonly known as the Baker-Shevardnadze Agreement, between the United States and the Union of Soviet Socialist Republics (USSR).

With the collapse of the USSR, the Russian government has taken the position that the Baker-Shevardnadze Agreement was invalid since USSR Foreign Minister Eduard Shevardnadze did not effectively represent Russian interests. Consequently, Russia refused to ratify the agreement, thus placing the United States in the position of negotiating in order to seek a modified treaty. One of Russia's key demands in revising the treaty is its desire to secure cross-border fishery quotas for its vessels, particularly gaining access to Alaska's Pollock stocks. However, the US ultimately rejected this Russian request. From the Russian perspective, there is no definitive agreement defining the marine border between the two countries although international law favors the US position. Absent ratification of the 1990 agreement or other arrangements, this conflict in the Bering Sea will continue.

Russian–American Dispute over the Bering Sea Marine Boundary Line

When the United States purchased Alaska from the Russian government, mutually accepted marine claims were limited to a narrow band of the coastal zone. However, the 1867 Treaty contained language which defined a boundary between the two nations through the Bering Sea. Over time, and in particular when the Law of the Sea principles started to govern the world's oceans, the 1867 Treaty line became the most contentious marine boundary in the world. Unfortunately, the language of the purchase agreement between Russia and the US is silent on the type of line, map projection and horizontal datum used to depict this boundary. Further, neither country has produced the original or other authenticated maps used during the negotiations to resolve the issue. Differences in defining this line fuel the continuing conflict.

Cartographers normally use two types of lines to delineate marine boundaries. These are rhomb lines and geodetic lines (also known as great circle arcs) that are used on two common map projections, Mercator and conical. Depending on the type of line and map projection used, lines will either appear as straight or curved lines. For example, a rhomb line will be a straight line on a Mercator projection, whereas a geodetic line is curved. Because each country interpreted the line described in the 1867 Treaty as a straight line, the Soviet Union depicted the Bering Sea marine boundary as a rhomb line on a Mercator projection whereas the US used a geodetic line on a conical projection. While both appear as straight lines on their respective map projections, each country's claim maximized the amount of ocean area and seafloor under their respective control. Figure 1 overleaf depicts marine borders between the Russian Federation and the United States showing the differences resulting from the dif-

¹ This study was prepared using the research findings and studies of School of Marine Studies' graduate students Mr. Jeff Randall, Mr. Greg Cassad and Mr. Artur Soule under the aegis of the University of Washington courses "Russian Ocean Policy" and "Comparative Marine Business in the North Pacific: Russia, Japan, Canada and the United States" jointly listed by the Russian, East European and Central Asia Studies Center and School of Marine Affairs, University of Washington. Both courses are offered by Prof. Vlad Kaczynski.

Figure 1 – Depiction of the Differences Between the Bering Sea Marine Boundary Using Rhomb and Geodetic Lines on a Mercator Projection



ferent interpretations of the borderline in this sea area.

When the United States and the Soviet Union implemented 200 nautical mile Exclusive Economic Zones (EEZ) in 1977, they exchanged diplomatic notes indicating their intent “to respect the line set forth in the 1867 Convention” as the limit to each country’s fisheries jurisdiction where the two hundred nautical mile boundaries overlapped. Shortly thereafter the differences in each country’s interpretation of the 1867 Treaty became apparent, placing an area of nearly 15,000 square nautical miles in dispute. While the two countries agreed to continue respecting each other’s interpretation of the 1867 Treaty as an interim measure,

negotiations began in the early 1980s to resolve the differing interpretations. Soviet negotiators had specific instructions from the Politburo to “insist on a straight line boundary.”

Some authors speculate that Soviet negotiators may have ceded territory in the Bering Sea to the US in order to quell the US objections the Soviet Union’s proposed division of territory north of the Bering Strait. Following nearly a decade of negotiations, a new agreement was reached between the two countries in 1990. The 1990 agreement split the difference between the US claim to a geodetic line and the Soviet claim to a rhomb line as shown on a Mercator projection. It also created several “special areas.”² Although both countries ceded territory from their previous claims, the US still controlled a far greater amount of area in the Bering Sea than if the new agreement had been based on the equidistant line principle normally used in international boundary disputes.

Marine Resources

The 1990 Agreement “represents a very favorable outcome in terms of US strategic and resource interests...” and was quickly ratified by the US Congress, which was eager to begin the sale of offshore oil and gas leases. The US Minerals Management Service recently estimated the potential oil and gas reserves in the Bering and Chukchi Seas at 24 billion barrels of oil and 126 trillion cubic feet of natural gas. In addition, fish harvests from this

² Special areas were areas on either country’s respective side of the 1867 marine boundary but beyond 200nm from the baseline. There were three such areas on the United States side of the marine boundary called “eastern special areas” and one on the Russian side called the “western special area.” In the language of the 1990 Marine Boundary Agreement, Russia ceded all claims to sovereign rights and jurisdiction in the eastern special areas to the United States and conversely the United States ceded all claims to sovereign rights and jurisdiction in the western special area to Russia.

region are vital to the fishing industries of both countries. US fisheries alone harvest over two million metric tons of fish from the Bering Sea each year and it is the dispute over access and harvesting rights to these fisheries resources which have fueled much of the rising dissent within Russia towards the 1990 Agreement.

Although the U.S. quickly ratified the 1990 Agreement, the Soviet Union, prior to its collapse, did not ratify the Agreement.

The US and Russian Positions

When the agreement was signed, provisional arrangements were made by each country to abide by its terms until ratification, but resistance to the ratification of the 1990 agreement has continued to rise within Russia along with accusations of conceding to American interests. The *Moscow Times* stated that Gorbachev, in his enthusiastic pursuit of good bilateral relations with the US, rushed into signing the 1990 agreement. Other claims suggest that Foreign Minister Shevardnadze exceeded

his authority by signing the 1990 agreement with the US. Many accuse Gorbachev and Shevardnadze of ceding Russia's rightful fishing areas in their haste to negotiate a deal for signature at the 1990 White House Summit. "Russian parliamentarians understood perfectly well that the agreement infringed upon Russia's interests and therefore the document has never been ratified by the Russian parliament," these critics say. Other Russian officials have voiced their opposition to the treaty not only because of lost fishing opportunities, but also due to the loss of potential oil and gas fields and naval passages for submarines. Many seek a new treaty "that would settle claims and protect Russian fishermen."

Russian Far East fisheries industry stakeholders assert that 150,000 metric tons of fishing quotas from US waters should be given to Russian fishermen as compensation for the area lost in the 1990 agreement and to earn their support for ratification of the treaty. A senior Russian Consulate officer stated:

"I don't remember figures, but as far as I remember there was something said about 150,000 tons of Pollock compensation in an annual quota from the American side if the treaty is to be ratified."

Personal communications with Russian sources indicate that this figure may have arisen from estimates of fish abundance or Russian harvests in the disputed area between the two countries in the 1980s. However, given that most Bering Sea fish stocks are considered fully utilized or even depleted, it is unlikely that this quota demand will be granted.

From the Russian viewpoint, the 1990 agreement remains in limbo. Efforts to ratify it have raised dissent and opposition, making the boundary set forth in the 1990 agreement more fragile as time progresses.

However, the US has steadfastly continued to abide by and enforce the provisions of the 1990 agreement. The US position may provide evidence of a continued "general state practice" and a basis under customary international law that the boundary delineated by the 1990 agreement is the actual marine boundary between the two countries. Determination of a state practice in customary international law requires evidence of "general state practice" and "*opinio juris*" – a sense of obligation to comply with the practice. The United States' continued position and enforcement of the boundary prescribed by the 1990 agreement builds evidence of the general state practice that the 1990 agreement is the marine border between the two countries.

Figure 2 – Map Showing the 1990 Marine Boundary Line with the Special Areas

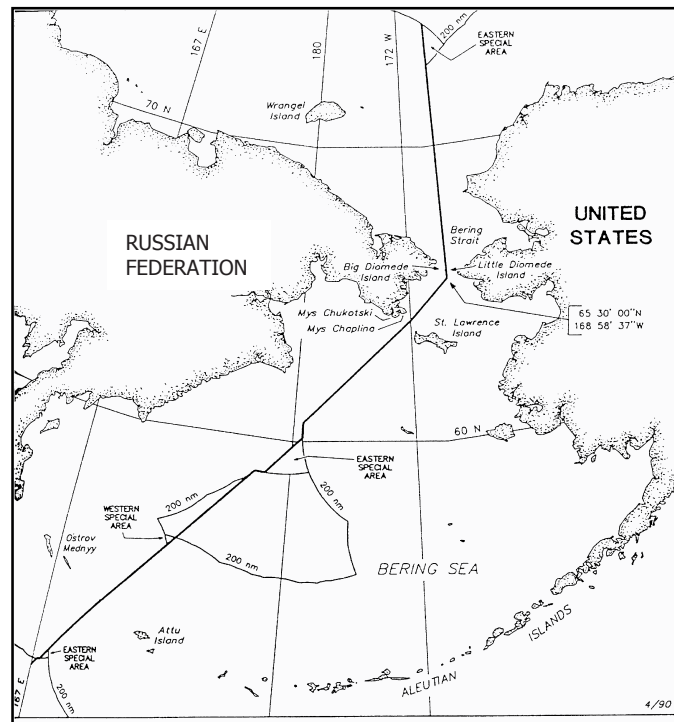
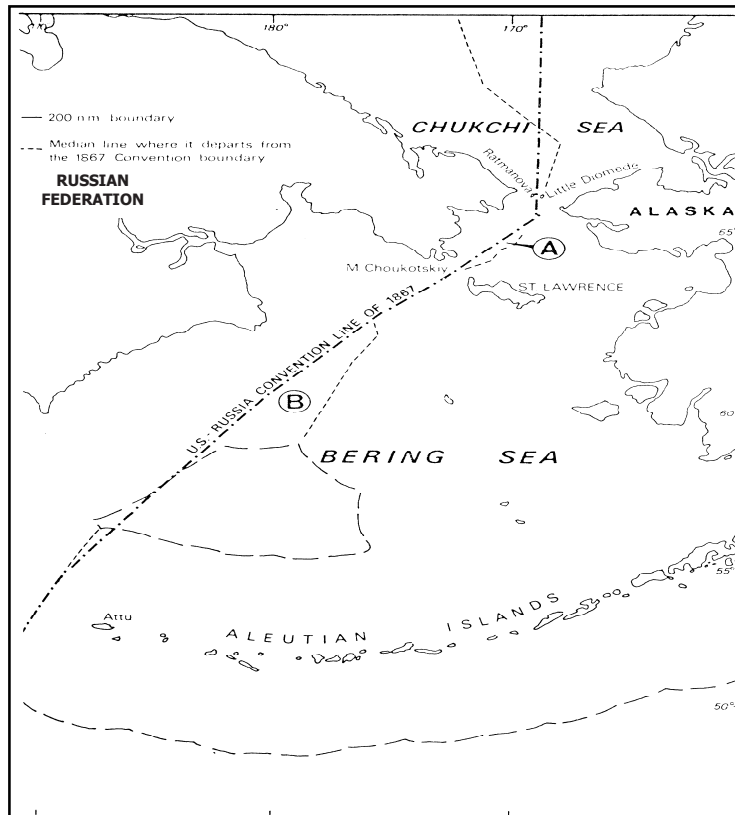


Figure 3 – Map Showing Difference Between 1990 Marine Boundary Line and Equidistant Line



Challenging Russian Activities

However, the recent actions of Russian fishing vessels are destabilizing the situation. From April through November of each year, dozens of Russian fishing vessels fish along this boundary to intercept Pollock migrating from US waters. The number and harvesting capacity of the fishing vessels operating along this border raises serious concerns among US fisheries managers that the Pollock stock is being overexploited by Russian fishermen. While near continuous Coast Guard aircraft and vessel patrols attempt to protect the integrity of the U.S. EEZ, the belligerence of the Russian fishing vessels towards US enforcement efforts continues to increase. In one notable case, more than a dozen Russian fishing vessels surrounded a Coast Guard vessel while it was trying to seize the Russian fishing vessel GISSAR for illegal fishing. The Russian fishing vessels threatened to ram the Coast Guard vessel if it tried to seize

and escort the GISSAR off the fishing grounds. Many Russian vessels simply refuse to submit to Coast Guard inspections when caught inside the US EEZ. The situation has become so enflamed that the US is contemplating the use of naval gunfire, in the form of warning and disabling shots, against non-compliant vessels. Such a resort to violence may only further destabilize the situation.

Searching for Solutions

Against this background, talks between the US State Department and Russian officials have begun in an attempt to resolve the issue. However, the United States maintains its staunch position that the 1990 agreement is binding and constitutes the marine border between the two countries. While there was an offer to concede some fish quotas to the Russian Federation as an incentive for ratification in 1997, this offer has recently been withdrawn. From the Russian perspective, there is no definitive agreement regarding the marine border between the two countries although international law favors the US position. However, absent ratification of the 1990 agreement or other arrangements, this conflict in the Bering Sea will likely continue.

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The Kuril Islands Dispute Between Russia and Japan: Perspectives of Three Ocean Powers

By Vlad M. Kaczynski, Warsaw School of Economics

Abstract

Japan and Russia have never come to an agreement over the ownership of the four southern Kuril Islands and therefore have never signed a peace treaty at the end of World War II. Russia currently occupies the islands, but Japan claims them as Japanese territory. The Soviet Union exerted firm control over the islands. Under Yeltsin, Russia's position seemed to weaken, but no progress was achieved in signing a peace treaty. Since Putin's rise to power, neither side has been willing to make concessions and the situation remains stalemated.

Introduction

The fighting in World War II ended on August 14, 1945 when Japan capitulated to the American Pacific forces. Subsequently, the September 8, 1951 San Francisco Peace Conference officially ended hostilities between the United States and Japan. However, in the 62 years since the end of the war, Japan and Russia have failed to sign a peace treaty ending the conflict between them.

The main reason for this failure is a border dispute over four small islands in the Kuril chain off the northern coast of Japan's Hokkaido Island. The Japanese refer to these islands as the Northern Territories.

The Kuril Archipelago extends for 750 miles (1,200 km) from the southern tip of Russia's Kamchatka Peninsula to the northeastern coast of Japan's Hokkaido Island. The 56 islands cover 6,000 square miles (15,600 sq km) and, together with Sakhalin Island, form an administrative region of Russia. The Kurils were originally settled by the Russians in the 17th – 18th centuries. Japan initially seized the southern islands and in 1875 obtained the entire chain. After World War II, they were ceded to the Soviet Union, the Japanese population repatriated and replaced by Soviet citizens. Japan still claims ownership of the four southern islands and has tried repeatedly to regain them.

An associated controversy concerns the status of Sakhalin Island, a large island northwest of Hokkaido (approximately 589 miles or 948 km long). It had been settled by Russians and Japanese for centuries but in 1875 Japan and Russia agreed that Japan would give Sakhalin Island to Russia in exchange for 18 Kuril Islands. Then, following the Russo-Japanese war in 1905, Japan regained control of Sakhalin Island south of 50° latitude. Japan then took control of the entire island following the Russian Revolution of 1917, but abandoned the island in 1924. Finally, at the end of World War II, the Soviet Union took control of the entire island, along with the Kurils, and forced the Japanese population out.

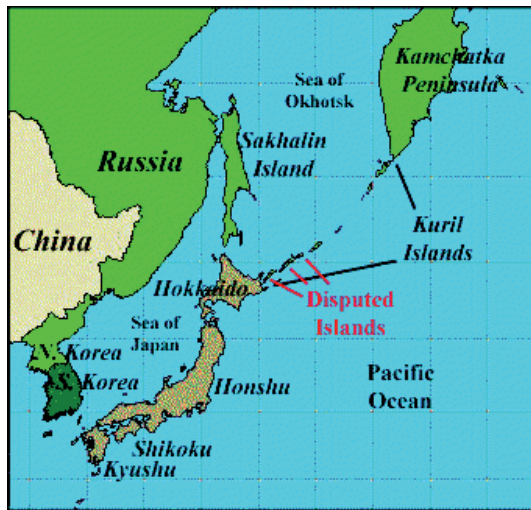
Both the Kuril Islands and Sakhalin Island are tectonically and volcanically active. A large earthquake in 1995 killed approximately 2,000 people on Sakhalin, whose total island population is about 680,000. The Kurils are home to about 35 active volcanoes.

The Kuril Islands are administered by Russian authorities on Sakhalin Island. Never large, the population declined to about 16,000 following a major earthquake in 1994. Currently, some 3,500 border troops, far fewer than in Soviet times, remain to guard the territory. During the Soviet period, the islands were considered a vital garrison outpost. The military valued the island chain's role in protecting the Sea of Okhotsk, where Soviet strategic submarines were located. The major industries are fish processing, fishing, and crabbing, much of which is illegal. Once pampered and highly paid by the Soviet government, the Kuril islanders were neglected by Moscow after the collapse of the Soviet Union. Of necessity, the inhabitants are developing closer ties with northern Japan.

The Japanese Claim

The dispute between the two countries centers on controlling the four southernmost Kuril Islands, which were taken over by the Soviet Union in 1945. Japan claims that these islands are part of Japan, as they have always been visible with the naked eye from the Japanese island of Hokkaido and appear on centuries-old maps of Japan as being part of Japan.

Fig 1. Map of Kuril Claims



ment never used the word “all” and it was only during August 1945, in a series of exchanges between Stalin and Truman, that Truman agreed in General Order No. 1 to grant the USSR occupation rights to “all” of the Kurils, including the southernmost islands traditionally considered to be part of Hokkaido. The Department of State’s interpretation of the Yalta agreement and General Order No. 1 was that the Soviet occupation of the southernmost Kuril islands was intended to be a temporary military occupation only, until a Soviet-Japanese peace treaty transferred sovereignty of the Kurils to the USSR.

The second misconception concerns the so-called “Dulles Threat Incident” of 1956, when Secretary of State John Foster Dulles told Foreign Minister Mamoru Shigemitsu that if Japan gave up its claim against the USSR for the southern Kurils, then the United States might feel obliged to retain Okinawa in perpetuity. A large number of scholars, and especially Soviet scholars, have claimed that Dulles’s “threat” was intended to torpedo the renewal of friendly Japanese-Soviet relations. Newly declassified documents show, however, that Dulles was actually trying to help the Japanese negotiators by offering them American-backed leverage against the Soviet Union. Contrary to many scholarly criticisms, the United States government’s policy on the Kuril Island dispute has been consistent in stating that in the absence of an official peace treaty, the disputed islands remain Japanese territory.

The Russian View

Japan and Russia made some progress in negotiating the Kuril problem during the Yeltsin era. During the 1990s, the Kremlin seemed ready to recognize Japan’s territorial claims to the islands of Iturup, Kunashiri, Shikotan, and Habomai and cede them to Japan, as documented by several intergovernmental documents. These texts include the Tokyo and Moscow declarations of 1993 and 1998 and the “Agreement on cooperation in fishing for living marine resources” signed also in 1998. These documents expressed both countries’ willingness to conclude a peace treaty in 2000 and to “...enter the 21st century as trustworthy and efficient partners.” However, under Putin, the Kremlin was firm in asserting Russian sovereignty over the islands and the problem remains unresolved.

The Soviet Union’s position rejecting Japan’s territorial claims to the southern Kuril Islands was firm and based on “corresponding international agreements”. These islands constitute more than 50 percent of the land surface of the whole archipelago and include the two largest islands, Iturup and Kunashiri. The Soviet view was last officially expressed in 1989.

The major points of the Soviet position were that:

- a) The USSR holds the exclusive right to develop the southern Kurils;
- b) When these islands were part of Japan, they were used as a springboard for aggression toward neighboring countries, in particular to attack Pearl Harbor in 1941 and Soviet civilian ships during World War II, when a neutrality pact between Russia and Japan was in force;

At the San Francisco Peace Conference, Japan agreed to give up any claim to Sakhalin and the Kuril Islands north of the four closest to Japan – Shikotan, Etorofu, Kunashiri and the tiny Habomai island group. At the time, Japan also agreed to give up control of Korea, Taiwan, the South China Sea islands, Penghu, and its Antarctic territory.

The Soviet Union refused to agree to these terms and did not sign the peace treaty. Since that time, the Russian Federation replaced the Soviet Union and has agreed to re-examine the issue of the Kurils.

The US Perspective

There are two prevalent misconceptions about the U.S. government’s policies on the Kuril – Northern Territories – Islands dispute. The first is that President Roosevelt agreed at the Yalta Conference to cede “all” of the Kurils to the Soviet Union. In fact, the Yalta agree-

- c) Japan was an aggressor state in World War II. It was deprived of a part of its territory, including all Kuril Islands, as punishment by the winning countries, for its aggression against many nations.
- d) Revising these international arrangements is tantamount to questioning the results of World War II.
- e) The Soviet Union demonstrated its intention to promote cooperation on the basis of equality and mutual benefits as well as to "secure post-war borderlines between Russia and Japan."

The problem seemed to be closed as Japan, by signing a variety of agreements, de facto recognized the Russian occupation of the four islands. However the general weakening of the state in the late Soviet period and internal frictions between Gorbachev and Yeltsin in their race for power made Soviet foreign policy and the "Kurils issue," in particular, a weapon of this struggle.

During the final days of the Soviet Union, Yeltsin's allies began to speak in support of a proposal to cede, or to sell, the islands to Japan at the cost of US \$20–50 billion. During his visit to Japan in 1990, Yeltsin proposed a "five-staged program for settling territorial claims". The plan consisted of:

- 1) officially recognizing the "Kuril problem",
- 2) demilitarizing the islands,
- 3) declaring the territory a zone of free enterprise,
- 4) signing a peace treaty and establishing "unified management" over the islands, and
- 5) a complete overview of the Kuril issue by a future generation of politicians.

During his presidency, Yeltsin never removed his five-point plan from the governmental agenda, but, at the same time, he never made it public at the official level. Nevertheless, this plan might have been, and still may be, a "secret" foundation for the Kremlin's policy toward the Kurils. Besides, these islands were never mentioned as a part of Russian territory, which was seen by many Russian specialists as absolutely inadmissible in such documents.

The Yeltsin-era Tokyo and Moscow Declarations both recognize the claim of Japan to the four islands. The Joint Soviet-Japanese Declaration of 1956, to which Tokyo regularly refers as the basis for its bilateral relationship, talks about a probable transfer of Habomai and Shikotan, the two smaller islands, and does not mention the larger islands of Kunashiri and Iturup. This transfer would take place only after the signing of a peace treaty.

Unlike similar documents of the past, neither the Tokyo nor Moscow Declarations have been ratified as intergovernmental agreements by the Russian parliament. Some have speculated that Yeltsin's administration did not submit these documents for ratification because it was aware of their disadvantageous content for Russia, leading to their ultimate rejection by the legislators.

Even though Yeltsin's five-stage plan was never officially approved, key components of it have been implemented. Thus, the first stage, recognition of the problem, was accomplished quickly and without any serious problems in 1994–1996.

The second stage, demilitarization of the islands, was implemented with no less success. As a result, there are only frontier posts and small naval units based on the Kurils at present. However, Russians claim that the Japanese armed forces in Hokkaido have increased in number and strengthened their combat capabilities due to additional state-of-the-art armament.

Japan interpreted the Russian military drawdown in the 1990s as a sign of Russia's weakness and exerted unprecedented pressure on this part of Russia's territory by authorizing Japanese fishing boats to operate in Russia's 200 mile Exclusive Economic Zone around the southern Kurils. As a result, the number of fishing violations grew to ten thousand. Under these circumstances, the then-commander of the Federal Frontier Troops General A. Nikolayev received permission to use force to protect Russian waters, including firing at Japanese ships.

The subsequent confrontation threatened Yeltsin's entire plan. Prompt diplomatic arrangements were made and negotiations to allow Japanese boats to fish in Russia's territorial waters were held between the two countries.

The third stage, encouraging free enterprise, was implemented by allowing Japanese citizens to visit the Kurils without a visa, negotiation of the fishery agreement in 1998, Japan's humanitarian aid to inhabitants of the islands, and an appeal by Russian authorities to Japanese business circles to invest in the region.

The fourth stage of the plan, signing a peace treaty, has yet to be achieved. In 1999, Yeltsin's team rejected the idea of signing a peace treaty for the first time, even though this idea had been proclaimed in the 1993 and 1998 Declarations. This treaty was to define comprehensive approaches for future Russian-Japanese cooperation in all areas including "the issue of a boundary solution".

Unfortunately, Putin has made no progress in signing a treaty. His attitude toward Japan's territorial claims is clearly expressed in his repeated statements about the integrity of Russia's territory and especially in his statement in Yuzhno-Sakhalinsk on September 3, 1999: "Does anyone say that the government plans to cede the Kurils? We negotiate, we acknowledge the problem, but transfer of the Kurils is out of the question". With neither side willing to make territorial concessions, the situation is stalemated.

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Norway and Russia in the Barents Sea – Cooperation and Conflict in Fisheries Management

By Geir Hønneland, the Fridtjof Nansen Institute, Oslo, Norway

Abstract

The Barents Sea fisheries are managed bilaterally by Norway and Russia. The Joint Norwegian–Russian Fisheries Commission sets quotas for the most important fish stocks in the area which are allocated according to a standard formula. The collaboration between the two countries generally functions well, but has since the late 1990s been plagued by disparity between scientific recommendations and established quotas, and Norwegian claims of Russian overfishing.

Establishing an Institutional Framework

The Barents Sea comprises those parts of the Arctic Ocean that lie between the Norwegian mainland, the Svalbard archipelago and the Russian archipelagos Novaya Zemlya and Franz Josef Land. Traditionally, the fish and marine mammals of the Barents Sea have provided the basis for settlement along its shores, particularly in Northern Norway and in the Arkhangelsk region of Russia. Since the Russian Revolution in 1917, the city of Murmansk on the Kola Peninsula has functioned as the nerve center of the Russian "northern fishery basin," second only in importance in the country to its "far eastern fishery basin." The commercially most important fish stock in the Barents Sea is the Northeast Arctic cod, by far the largest of the approximately 30 cod stocks in the North Atlantic.

The United Nations Conference on the Law of the Sea (1975–82) led to a transition from multilateral negotiations for the Barents Sea fisheries under the auspices of the Northeast Atlantic Fisheries Commission (NEAFC) to bilateral negotiations between coastal states with sovereign rights to fish stocks. Norway and the Soviet Union entered into several bilateral fishery co-operation agreements in the mid-1970s. The Norwegian–Russian management regime for the Barents Sea fish stocks defines objectives and practices for co-operative management between the two states within the fields of research, regulation and compliance control.

The co-operation between Russian/Soviet and Norwegian scientists in the mapping of the Barents Sea fish resources dates back to the 1950s. It is now institutionalized under the framework of the International Council for the Exploration of the Sea (ICES). Quota settlement and technical regulation of fisheries are taken care of by the Joint Norwegian– (Soviet/)Russian Fisheries Commission, which has met annually since 1976. The Commission includes members of the two countries' fishery authorities, ministries of foreign affairs, marine scientists and representatives of fishers' organizations. Most importantly, it sets total allowable catches (TACs) for the three fish stocks that are defined as joint stocks of the two countries: cod, haddock and capelin. Cod and haddock are shared on a 50–50 basis, while the capelin quota is shared 60–40 in Norway's favor. Finally, cooperation in compliance control was initiated in 1993, after the Norwegian Coast Guard had revealed considerable Russian overfishing following Russian vessels' new practice of delivering most of their catch to Norwegian ports instead of Murmansk. This collaboration includes the exchange of catch data and inspectors, as well as the harmonization of various enforcement routines.

Evolving Cooperation

Three main periods can be distinguished in the thirty years since the bilateral management regime came into force: before and after the collapse of the Soviet Union, and after the turn of the millennium. The two first periods are treated briefly in the following analysis, with more attention given to the most urgent issues of recent years: overfishing and the disparity between scientific recommendations and TACs.

Until the early 1990s, discussions in the Joint Norwegian–Soviet Fisheries Commission mainly centered on the size of the TACs and whether the smallest permitted mesh size and the minimum length of fish should be increased. As the Soviet northern fishing fleet was mostly engaged in distant-water fisheries (mainly outside Western Africa and South America) and hence not so dependent on the nearby fishing grounds of the Barents Sea, the Soviet party to the Commission generally opted for the lower TAC recommendations given by ICES, while the Norwegian party in most years pressed quotas upwards. Norway, on the other hand, wanted to increase the lowest permitted size of fish and net mesh, but failed to persuade the Soviets to introduce this regulatory measure. The fish are generally smaller in the Soviet/Russian part of the Barents Sea, which explains the Soviet/Russian unwillingness to increase the mesh size.

The 1990s were characterized by the extensive coordination of technical management measures (e.g. the joint introduction of satellite tracking and of selection grids in trawls) and general agreement about the annual TAC levels. The Russians had now become more interested in the valuable cod stock – in Soviet times, they had been more concerned with quantities than global-market prices – and were more dependent on the Barents Sea fisheries as distant-waters fishing was discontinued in the post-Soviet period. But the Northeast Arctic cod stock was very healthy throughout the 1990s, so TACs could be set at comfortable levels without setting ICES's scientific recommendations aside. New problems emerged – both from a biological and an institutional point of view – when the cod stock began to reach crisis levels around the turn of the millennium.

Conflict Over Shrinking Cod Stocks

Cod stock decline in the late 1990s coincided with the recognition internationally of the precautionary principle that a lack of scientific certainty should not be used to postpone management measures that could prevent fisheries degradation. Both the ICES and the Joint Norwegian–Russian Fisheries Commission adopted this principle. The marine scientists recommended drastic reductions in the Barents Sea cod quota, but the Commission annually established quotas far above these recommendations. The Russian party to the Commission strongly opposed the need for implementing quota reductions. The Norwegian party generally supported the scientific recommendations, although opinions varied within the Norwegian fishing industry.

While the Norwegians debated whether the established TACs were sustainable or not, the Russians seemed to view the issue as a battle between the two states, or between Russia and the West. Both the Russian media and the Russian members of the Joint Norwegian–Russian Fisheries Commission accused Norway of having ulterior motives for supporting lower TACs, such as maintaining high world-market prices for cod at a time when the country was starting artificial breeding of this species. Norway largely gave in to Russian demands to keep quotas high since the alternative – no TAC agreement at all, and the effective dismantlement of the bilateral management regime – was far less attractive.

In 2001, the parties for the first time agreed on a three-year quota. This longer time horizon gave them some breathing space and a buffer against sudden developments. Two years later, the Commission devised a fresh set of decision and action rules for management of its side of the Northeast Arctic cod stock, aimed at ensur-

ing biological viability and greater economic predictability for fishery-dependent communities in Norway and Russia. These action rules included:

- average fish mortality should be kept below the precautionary limit over three-year periods;
- TAC should not change more than 10 percent from one year to the next; but
- exceptions can be made in situations where the spawning stock has fallen below defined critical levels.

Russian Overfishing

Russian overfishing after the break-up of the Soviet enforcement system was presumably brought to a halt by the measures introduced under the enforcement cooperation scheme between Norway and Russia in 1993. However, while the exchange of catch and landing data between the two countries might be a necessary factor in eliminating catch underreporting, it is hardly sufficient to prevent abuses. Sanctioning mechanisms in Russia, and the sincerity of Russian officials' wish to eliminate overfishing are uncertain elements in this respect. Further, catches were delivered to transport vessels at sea from the late 1990s, as they were in Soviet days. While fresh fish in the intervening period was brought to Norwegian ports, fishing vessels now handed the fish over to transport vessels as frozen products, for delivery to Denmark, the Netherlands, UK, Portugal, Spain, and other European countries. As a result, the catch data exchange system of Norwegian and Russian enforcement authorities was no longer of much use.

Two specific questions emerged: how much fish was being transferred from vessel to vessel in the Barents Sea, and how much of this product was being delivered to third countries. Seen from the point of view of Norwegian fisheries management authorities, the Russians have not been particularly eager to help in addressing either issue.

Around 2002–3, the Norwegian Directorate of Fisheries increased its efforts to estimate actual Russian catches in the Barents Sea. Based on the results, ICES estimated unreported catches of Northeast Arctic cod as follows: 90,000 tons in 2002, 115,000 tons in 2003, 117,000 tons in 2004 and 166,000 tons in 2005. These figures imply an annual overfishing in the range of 25–40 percent of the TAC during the period. In other words, the Russians have, according to ICES, overfished their national quotas of Northeast Arctic cod (which are approximately 50 percent of the TAC) by some 50–80 percent annually.

The Russian fisheries management authorities did not accept Norwegian assertions that the problem was so severe. In autumn 2006, they admitted not knowing how much fish is actually transferred at sea and delivered to third countries, but estimated Russian overfishing to be around 20,000–30,000 tons annually in recent years.

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Scientific Recommendations, Established TACs and Reported Catches of Northeast Arctic Cod during the Period 1990–2006

Year	Primary recommendation (ICES)	Established TAC	Reported catches*
1990	172,000	160,000	212,000
1991	215,000	215,000	319,000
1992	257,000	356,000	513,000
1993	385,000	500,000	582,000
1994	649,000	700,000	771,000
1995	682,000	700,000	740,000
1996	746,000	700,000	732,000
1997	787,000	850,000	762,000
1998	514,000	654,000	593,000
1999	360,000	480,000	485,000
2000	110,000	390,000	415,000
2001	263,000	395,000	426,000
2002	182,000	395,000	535,000
2003	305,000	395,000	552,000
2004	398,000	486,000	606,000
2005	485,000	485,000	641,000
2006	471,000	471,000	-

*) Including estimated unreported catches of 25,000 tons in 1990, 50,000 tons in 1991, 130,000 tons in 1992, 50,000 tons in 1993, 25,000 tons in 1994, 90,000 tons in 2002, 115,000 tons in 2003, 117,000 tons in 2004 and 166,000 tons in 2005.

Sources: Recommendations: ACFM/ICES reports for the year in question; TACs: protocols from sessions in the Joint Norwegian–Russian Fisheries Commission for the year in question; catches: ICES AFWG Report 2006, Copenhagen: International Council for the Exploration of the Sea, 2006.

*Part IIc: Pressing Issues:
WTO Accession*

Russia and the WTO: One Step Forward, One Step Back

By Peter Rutland, Montreal

Abstract

Most likely Russia's entry into the World Trade Organization will be delayed for a year or more. Russia faces a variety of obstacles from Georgia, Poland, and the broader anti-Russian sentiment in Europe. Optimists point out that Russia has one of the world's biggest economies and that it does not make sense for it to remain outside the trading organization. Pessimists note, however, that election year politics may make any immediate action unlikely.

Close to an Agreement

In November 2006 it looked like Russia's 13-year quest to enter the World Trade Organization had cleared its final hurdle. On the sidelines of an international summit in Hanoi, President George W. Bush signed a bilateral agreement with President Vladimir Putin signifying US approval of Russia's entry to the WTO. Russia has now signed bilateral agreements with 58 trading partners and only a handful of countries are still waiting to sign agreements. Among them are Vietnam, Cambodia, and Saudi Arabia.

The US agreement came as something of a surprise, since the failure to strike a deal at the July 2006 G8 summit in St. Petersburg had led many to conclude that Russia had no real intention of joining the WTO. In the end, it turned out to be a case of diplomatic brinksmanship, with each side holding out for the best possible deal. Moscow accepted a compromise over the question of Russian inspection of American pork and poultry exporters, and the US accepted the Russian government's package of legal and administrative measures to tighten sanctions on CD and DVD piracy.

Entry by 2007 Unlikely

Since then, however, the optimism that a new era of pragmatism had entered Russia's relations with its Western partners has slowly unraveled. It is now looking increasingly unlikely that Russia will complete the process for WTO entry by the end of 2007. Russia has been unable to schedule any formal accession talks at the WTO's Geneva headquarters in over a year. The loss of momentum in negotiations has redoubled the voices of skeptics both inside Russia and in the West who question whether Moscow really intends to join the WTO club at all.

The immediate challenge to Russia's entry bid came from three directions. First, Georgia, which had signed off on a bilateral deal approving Russia's WTO entry in 2004, withdrew its agreement in July 2006, in the wake of Russia's March ban on the import of Georgia's wines. Moscow introduced the ban after claiming that Georgian exports included falsely-labeled wines that were not in fact from vintage vineyards. An additional complication was Russia's October 2006 decision to suspend direct flights between the two countries, citing an unpaid airline debt. Georgia subsequently added a demand that Russia assist Tbilisi in placing Georgian customs controllers on the border with Russia in South Ossetia and Abkhazia, regions over which Georgia had lost control 15 years previously. Russian-Georgian negotiations on May 31, 2007, ended without result, with Moscow insisting that the customs issue is unrelated to WTO entry.

Second, Poland retaliated against Russia's year-old ban on Polish meat imports by vetoing the European Union's plans to sign a new Partnership and Cooperation Agreement (PCA) with Russia to replace the 1994 PCA that is due to expire in 2007. The European Union (EU) had signed off on Russian WTO entry in 2004, in what was seen as a quid pro quo for Russian acceptance of the Kyoto accord on global warming. The EU-Russia summit that took place in Samara on May 17–18 was a deep disappointment, resulting in no progress on virtually any front. In the wake of that meeting, Economics and Trade Minister German Gref told a meeting of the European Bank for Reconstruction and Development in Kazan that Moscow would not renegotiate the PCA with the EU until Russia secures entry to the WTO.

Third, Russia's WTO bid came to be used as a political football in a broader current of anti-Russian sentiment, particularly in Europe. EU Trade Commissioner Peter Mandelson said on April 20 at an energy forum in Bologna that that mistrust between the EU and Russia has reached "a level not seen since the Cold War." The lead issues were the dispute with Estonia over the moving of a Soviet war memorial in April 2007, and European fears over energy security revived by the interruption of oil and gas supplies to Belarus and Ukraine

respectively in January 2006 and January 2007. The meeting of a new Gas Exporter Countries Forum in Qatar at beginning of April also produced a degree of anxiety in energy-importing countries. Although Russian actions in battling the Chechen insurgency, a major focus of criticism for Moscow in the past, have quieted down in the past few years, other issues came along to cast a shadow over Russia's image as a self-proclaimed member of the democratic community. Western observers criticized the sinister assassination of Aleksandr Litvinenko in 2006 and the forcible dispersal of opposition protestors in several Russian cities in 2007.

Although most of the foot-dragging on WTO is now coming from Europe, the US position has also been somewhat equivocal. US Trade Representative Susan Schwab stated at trade negotiations in Washington on April 9 that the US Congress is not ready to repeal the Jackson-Vanik amendment and that the WTO was "not yet" ready to accept Russia. But, the previous week at talks in Moscow, Commerce Secretary Carlos Gutierrez told his hosts that Washington hopes to see Russia join the WTO by the end of this year.

Reasons for Optimism

Optimists will argue that these are but temporary glitches in what is now an unstoppable trend towards Russian membership in the WTO. There are several grounds for the argument that Russia will enter the WTO at some point in the not-too-distant future.

First, there is the simple fact that Russia is the world's tenth largest economy and seventeenth largest trading nation. It is simply anomalous that it has remained outside the ranks of WTO members, which now number 149 countries, for so long. The fact that Russia is still outside the WTO makes it more difficult for countries such as Ukraine and Kazakhstan to join, given that Russia is their leading trading partner. It is also another factor holding up the conclusion of agreements to tighten Russian economic integration with its Commonwealth of Independent State (CIS) partners, something which is a priority for Moscow. This issue came up at the CIS summit in Yalta on May 24.

Second, doubters who point to the evidence of weakness of rule of law and non-market barriers to foreign entry in Russia should acknowledge that existing WTO members face similar problems. Russia's tariff barriers, which currently average 11.7 percent, are modest by international standards. Even so, Russia plans to cut the average weighted customs tariff rate to 9.9 percent by 2010. As part of the deal with the US, over the next seven years, Russia will reduce import tariffs on foreign-made aircraft from 20 percent to 7.5 percent, which will increase the competitive pressures on Russia aircraft manufacturers. The country's limits on foreign banks and insurers are similar to those of China – which joined the WTO in 2001. Foreign firms currently account for an estimated 18 percent of Russia's banking and 5 percent of Russia's insurance market. Both are subject to a 25 percent ceiling, though the foreign bank ceiling will rise to 50 percent after WTO entry, with Russia reserving the right to intervene in individual cases. Take for example the question of CD and DVD piracy, which cost Hollywood an estimated \$1.7 billion in lost sales in Russia in 2005. Indeed it is a problem, but Russia is only third in the world league table of DVD pirates – after China and Mexico, who are both already WTO members.

Third, compromise had been reached on most of the laundry list of items that had concerned the US in the summer of 2006. Russia has indeed been slow to implement some of the changes that it promised – for example, it has not yet waived the overflight fees for aircraft transiting from Europe to Asia, which generate \$300 million a year. The EU also wants Russia to stop charging higher railway fees for foreign train freight than for domestic loads. On the other hand, at the International Economic Forum in St. Petersburg in June, Aeroflot agreed to buy 22 Boeing 787 Dreamliners, a deal which had been allowed to lapse in October 2006 – just before the US agreed to accept a compromise deal on Russian WTO entry. Also at the St. Petersburg Economic Forum, the Russian Union of Industrialists and Entrepreneurs, Troika Dialog Investment, and the American Chamber of Commerce announced the formation of a Russian-American private sector working group to support Russian entry to the WTO.

Fourth, there is substantial evidence that Russia has made WTO entry a centerpiece of its economic development strategy. Russia's official goals in joining the WTO are: non-discriminatory treatment for Russian exporters; access to WTO dispute settlement procedures; a better climate for incoming foreign investment and opportunities for outgoing Russian investment; to improve domestic competitiveness; to be a full participant in international trade negotiations; and to improve Russia's image.

Reasons for Pessimism

The pessimists also have some good arguments, however. First, Russian WTO entry is a focal point for political mobilization. Critics of Russia can use it to send a signal to Putin about their unhappiness about some of his policies – as is the case with Georgia and Poland. But Russian nationalists can also use WTO to send a message to Western critics. As both Russia and the US will be electing new presidents in 2008, there is a high probability that no substantial progress in WTO entry will be attempted next year, to avoid providing additional scope for such political opportunism.

Second, there is the argument that Russia actually stands to make only modest gains from WTO entry. The fact that the Russian economy is so heavily dependent on oil and gas exports means that one cannot really extrapolate from the efficiency effects and investment boom that have accompanied WTO entry in other economies. International organizations such as the World Bank claim that Russia will see a 3 percent boost in GDP from WTO entry, but it is not at all clear that these studies take into account the specificities of Russia's resource-dependent economy.

Third, WTO entry is clearly a bone of contention between the liberal and security (*siloviki*) wings of the presidential administration. A new draft law on regulating foreign investment was approved at a government meeting on January 31, 2007. Any foreign company will need permission to exceed a 50 percent stake in a firm on a list of restricted sectors, and any firm controlled by a foreign government or international organization would require approval for a 25 percent stake. Deputy Industry and Energy Minister Ivan Materov told a meeting of the Consultative Council on Foreign Investment that "The Federal Security Service is insisting on including some lines of business in this list while the (Economic Development and Trade Ministry) does not wish to see them there because this would run against the rules of the WTO." The restricted list includes alloys, aerospace, arms and mineral resources.

Federation Council Speaker Sergei Mironov warned "If anyone believes that joining the WTO is the greatest ambition of everyone in Russia, they are deeply mistaken." Alexander Shokhin, president of the Russian Union of Industrialists and Entrepreneurs, told a conference of foreign investors that "It's time to stop seeking WTO membership, we should wait for them to ask us to join," noting that "the balance of advantages and disadvantages of joining this organization is not obvious for Russia." Even Putin himself seems to have become more skeptical about the benefits of WTO entry. For example, on June 12 he said: "Old methods of decision making often don't work. That is well seen both with the WTO and with the Doha Round, which goes, to say the least, with big difficulties."

Russia's WTO entry seems trapped between two bureaucratic machines that are both fractious and sluggish, and that find it very difficult to come up with definitive policies: the European Union on one side and the Russia government on the other. The Kremlin elite is anxiously preparing for the ultimate test of a presidential power succession, while the 27-headed hydra of Brussels is absorbed with struggle to draft a new union treaty. It looks increasingly likely that the complex bargaining around Russia's accession to the WTO club will fall between the cracks, and will be delayed for a year or more.

About the author:

Peter Rutland is a professor of government at Wesleyan University.

Recommended Reading:

Stephen E. Hanson, Philip Hanson, Juliet Johnson, Stephen K. Wegren, and Peter Rutland, *Russia and the WTO: A Progress Report*, National Bureau of Asian Research Special Report, no. 12, March 2007, <http://www.nbr.org/publications/specialreport/pdf/SR12.pdf>

Russia and the WTO: A Russian View

By Natalya Volchkova, Moscow

Abstract

Russia first applied for WTO membership in 1993, but the process has dragged on. All analyses concur that Russian manufacturing and service sectors will benefit little from WTO membership. Most of Russia's exports are in the natural resource sector and these will not be affected. Only metals exporters have an interest in the WTO to protect themselves against dumping accusations. Russia's political leaders, rather than the business community, have been the main driver behind the negotiations. There are no foreign businesses that have a strong interest in Russian membership, in contrast to the case of China, which was backed by European and US businesses that wanted to see China in the club. The lack of a strong external push for Russian membership is definitely slowing the process.

Extensive Delays

For the past five years, usually in spring time, we regularly hear from top Russian officials that Russia could become a member of the WTO before the end of the year. Despite the promising announcements, Russia will soon become the country, which set the record for the longest WTO accession negotiations, surpassing previous record-holder China. Naturally, it makes sense to ask: What is taking so long?

There are at least two sides in any negotiations. In this case, it is Russia and, generally speaking, the WTO. Therefore we need to look for the reasons on both sides.

Historical Background

First, some history about the negotiations. Russia initially applied to the General Agreement on Tariffs and Trade (GATT) in 1993. After GATT transformed into the WTO, Russia started accession negotiations in 1995 within the Working Party (WP) on the Russian Federation's accession to the WTO. The first rounds of negotiations examined the trade and political regime in Russia and their compliance with WTO principles. Then, in 1998, Russia started bilateral talks with existing WTO members. Since 2000, when President Vladimir Putin came to office, the negotiations became full-scale, covering all aspects of Russia's accession to the WTO. There have been 30 sessions of the WP so far.

At the beginning, the negotiation process was very slow, but it gained momentum after 2003. At present, the Russian bilateral negotiations on access to markets for goods and services are mostly completed. Nevertheless, although Russia is nearly at the end of the accession process, it must still resolve some of the most difficult issues.

Mixed Assessments of the WTO's Impact on Russia

Opinions and assessments concerning Russia's possible WTO accession vary widely among business people and experts. The Russian government and the World Bank have conducted several major studies, seeking to determine the economic consequences of WTO accession. While there are some discrepancies in evaluating the quantitative changes in specific sectors and at the economy-wide level, the researchers more or less agree in qualitative terms. The general consensus is that the changes in outputs, consumption, prices and welfare due to the new tariff agreements are likely to be fairly small. This result makes sense because Russian tariff protections fell dramatically at the beginning of the 1990s, when Russia began building a market economy. Russia's average tariff in 2005 was 9.3 percent, reasonably close to the level of most WTO members. Most likely, it will not change much after accession, when the expected average tariff will be 7.3 percent.

However, the World Bank experts emphasize that the Russian economy will gain the most benefits from WTO accession as a result of the liberalization of business service markets. While there is no single way to model such changes, the estimated gains from the service liberalization range between 0.1 and 1.0 percent of GDP. This result also seems to be quite intuitive. The Russian services market only began functioning in the early 1990s. Naturally, it is extremely underdeveloped. The provision of some important business services is very limited and inefficient, especially in highly protected areas. Therefore the entrance of foreign providers of such services will diminish the transaction costs for business, while the Russian service providers either will work harder to increase their efficiency or leave the market.

Sectoral Impact: Opponents of WTO Outweigh Supporters

Given these results and Russian trade patterns, it is clear how the interests for and against WTO entry are spread across the economy. Unfortunately for Russia, the usual supporters of accession – exporters – do not show any interest in the WTO, as most Russian exports are natural resources, which will not be affected by accession. The only exception is the weak support from ferrous metals producers, because they will be in a better position to defend themselves against anti-dumping charges across the world after Russia becomes a member.

At the same time, the Russian manufacturing sector, which competes with imports, is quite unanimous in its opposition to WTO. Resistance among manufacturers naturally ranges from very little to substantial, depending on the degree of the current protection of a particular sector, with many sectors being rather indifferent, especially after the question of the two-tier gas tariff was settled during earlier negotiations with the EU. Only a few industries actively protest against WTO accession and try, at a minimum, to negotiate favorable transition conditions if Russia does become a member. Naturally, the Russian automobile industry, which would face tough competition from foreign producers, is one of the most outspoken opponents.

The service sectors are also opposed to joining WTO. Russian banks and insurance companies enjoy substantial protection under current regulations and do not welcome foreign competitors. Much of the most recent negotiations between Russia and the US representatives dealt with these two sectors. After long debates and mutual compromises, Russia agreed to reforms in these areas.

Thus, this distribution of interests across the Russian economy shows that the economically active sectors would gain little benefit from Russia joining the WTO, while the lobbies, who advocate against accession, are relatively stronger. Still, as we have observed, the negotiations gathered speed over the past five years and a positive outcome seems quite plausible. Who is in charge of such changes?

Political Leaders Push for Membership

As has often happened in Russian history, movement starts from the top. Economics and Trade Minister German Gref advocated liberal positions from the very beginning of his tenure as the head of the economic bloc of the current Russian government. Nevertheless, since the Russian economy has enjoyed enormous budget surpluses and strong economic growth, mostly caused by high oil prices since the beginning of the decade, the government is not enthusiastic about enacting strong economic reforms. However, the idea of becoming a WTO member still appeals to liberally-minded officials.

The effort to join the WTO also has secured support at the highest levels in politics. For the Russian president, who enjoys meeting with the G8 leaders, the fact that Russia has so far been excluded from another global club hardly seems plausible. Therefore, Russian executive branch officials pay a lot of attention to the question of WTO accession.

In order to overcome, or, at least, smooth over, the anti-WTO attitudes of the Russian business community, the government initiated a large-scale information campaign to negotiate issues of WTO accession with business representatives. The Ministry of Economy reports that its representatives have conducted about 600 meetings on this subject with exporters, importers, and industrial producers since 2000. The open consultations with the Russian Union of Industrialists and Entrepreneurs (RUIE) and the Chamber of Commerce and Industry (CCI) became common occurrences and were widely cited in the press. Naturally, Minister Gref gets the most support from metals magnate Alexei Mordashev.

To help the Russian regions make the transition to new rules of the game, which will have to be accepted after joining the WTO club, the Ministry organized around 200 meetings in almost all Russian regions over the past 6 years. From 2004 to early 2007, the Ministry launched training courses for civil servants in many regions on various aspects of WTO accession. According to various polls, by mid-2005 more than half of all Russians supported the idea of the country's joining the WTO, compared to less than 20 percent in 2001.

While gathering support among business and the general public, the ministry representatives carefully proceed with the negotiations. If ministry positions were not supported by strong interests in the domestic economy, the officials needed to be very cautious in order to minimize the accusations from the antagonists. Even the government was divided in its approach to the WTO. While Gref pushed the negotiations, ministries representing agricultural and industrial interests naturally sought protectionist measures. Almost everyone agrees that the full responsibility for Russia becoming a WTO member lies solely with the Ministry of Economy and German Gref.

Concerns about Shabby Treatment of Russia

The experience of several CIS countries, which became WTO members earlier, is somewhat ambiguous. One of the common features of the WTO accession terms for those countries were the full and unconditional openness of the service sectors, only small levels of agricultural support, and very limited transition assistance.

From the very beginning, Russia stressed that it would never accept such poor terms of accession. Russia provided two justifications for its position. From the economic point of view, the Russian trade representative sought to link all kinds of potential obligations to the actual state of the economy and forecasts of its future development and secure reasonable protection for national producers, while allowing an adequate competitive environment. From the political point of view, the country, which enjoyed international recognition as a super-power in the past, considers it to be humiliating to be admitted to the global trade club on bad terms. Russian politicians and business representatives from the anti-WTO camp make this point to support their position.

Thus, the overall position of the Russian team on negotiations can be expressed in the following way. Since the ultimate goal of Russia is to become a modern and effective economy and to fully and actively participate in world trade, it has no choice but to join the WTO. According to Russia's official position, WTO membership is essential for increasing the access of Russian goods to foreign markets, easing the settlement of trade disputes, attracting foreign investments and facilitating Russian investments abroad, improving the competitiveness of Russian goods, and last but not the least, improving Russia's image abroad and voicing Russian national interests during the trade negotiations. However, even considering all these goals as very important, the achievement of the most favorable conditions for Russia to join the WTO is an essential and, sometimes, the only task for the accession negotiations. According to Gref, the balance of rights and obligations of Russia during its accession to the WTO should contribute to its economic growth. All of the above emphasizes that it is not only the goal of Russia to become a member of WTO, which is important in and of itself, but the means to achieve this goal are also very important on their own.

Lack of Foreign Support for Russian Membership

This dichotomy could be easily overcome, if there were any special interests outside Russia, interested in seeing Russia as a fully fledged member of WTO. Unfortunately, there are few such interests. In the case of China, the natural lobbies for accession were US and European companies that had business interests in China. In the Russian case, there is no such lobbying. Moreover, without doing business in Russia at the moment, foreign countries do not clearly understand what kind of economic gains they could expect from cooperation with Russia in the future. In such a way, the lack of strong interests on the other side of the bargaining table does not contribute to speedy trade talks.

In such a manner, we end up with lengthy negotiations, during which both sides enjoy the process. The outcome has high intrinsic value, at least for one party, even if the ultimate goal remains a distant prospect.

Naturally, without strong economic interests on both sides of the table, the trade negotiations can easily become manipulated by political interests. Over the past five years, we have constantly observed trade-offs between the economic and political issues that either accelerated or impeded the negotiation process. Of course, without knowing what is going on behind closed doors, we can only speculate. Strangely enough, Russia's pompous campaign against participation in the Kyoto protocol to cut greenhouse gas emissions grew silent at the same time as the European WTO negotiators decided to compromise on the issue of two-tier gas tariffs in Russia. The issue of Iran was especially emphasized at the time of WTO negotiations with the US. Russia broke its existing treaty with Georgia when the political situation there changed in a way Russia did not like. Overall, the fragile economic balance on the Russian side, with the occasional intervention of powerful political interests, has yet to lead to a final outcome.

On June 18, 2007, the head of the Russian negotiators, Maxim Medvedkov, announced that the talks may be completed by the end of 2007. Having been disappointed for several years in a row, we have grounds to believe that his prediction is unlikely to come true unless political events force a happy ending to the negotiations.

About the author:

Natalya Volchkova is an economist at the Center for Economic and Financial Research in Moscow.

Documentation: World Trade Organization: Principal Objectives and Functions, Accession Procedure

Objectives and principles. The World Trade Organization (WTO), the successor to the General Agreement on Tariffs and Trade (GATT) which existed since 1947, began to operate on January 1, 1995. The WTO is designed to regulate the trade-political relations of the members on the basis of agreements of the Uruguay round of multilateral trade talks (1986–1994), the legal foundation of modern international trade.

The WTO setup agreement stipulates for a permanent forum of member states to settle problems affecting their multilateral trade relations, and control of Uruguay round agreements implementation. The WTO largely operates like the GATT, but it also controls a wider range of trade agreements (including trade in services and trade-related intellectual property rights) and has much broader powers in terms of decision making procedure improvement and compliance by member states. A unique mechanism of trade dispute settlements is an integral part of the WTO.

Since 1947, discussions of global problems of liberalization and the prospects of international trade development have been taking place in the framework of multilateral trade talks (MTT) under the GATT aegis. Eight rounds of MTT have taken place, including the Uruguay round, and the ninth round is under way. The main objective of this influential international economic organization is world trade liberalization and guarantee of just competition.

The fundamental principles and rules of the GATT/WTO include:

- non-discriminatory trade, i.e. mutual most favored nation treatment in trade;
- mutual granting of the national treatment to goods and services of foreign origin;
- trade regulation mostly by tariff methods;
- refusal to use quantitative or other restrictions;
- trade policy transparency;
- settlement of trade disputes by consultation and negotiations, etc.

The most important WTO functions include: control over compliance with the Uruguay round agreements; multilateral trade talks and discussions between interested member countries; settlement of trade disputes; monitoring of member states' national trade policies; technical assistance to developing nations in WTO-related matters; cooperation with specialized international organizations.

The general advantages of WTO membership can be summarized as follows:

- more favorable access to international goods and services markets on the basis of predictable and stable development of trade relations with WTO member states, including transparency of their foreign economic policies,
- access to the WTO dispute settlement mechanism providing protection of national interests, if infringed on by counterparts, thus eliminating discrimination,
- possibility to secure one's current and strategic trade-economic interests by efficient participation in MTT in the process of development of new international trade rules.

Source: Russia and World Trade Organization; <http://www.wto.ru/chto.asp?f=spravka&t=6>, as of 14 June 2007.

Documentation: Economic Effects of Russian WTO accession

Source: Thomas Ratherford, David Tarr: *Regional impacts of Russia's accession to the WTO* (23 June 2006).

http://siteresources.worldbank.org/INTRANETTRADE/Resources/Internal-Training/287823-1116536061368/Regional_ImpactsOfRussiasAccessionToTheWTO.pdf

EV = *Equivalent variation*

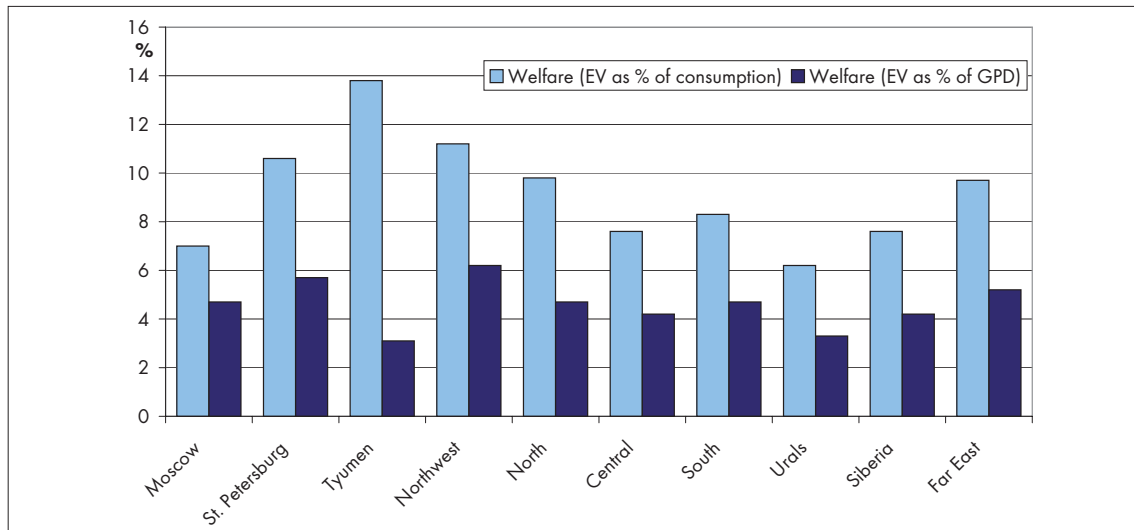
Abstract of the source for the data of the tables and graphs:

“In this paper we develop a computable general equilibrium model of the regions of Russia to assess the impact of accession to the World Trade Organization (WTO) on the regions of Russia. We estimate that the average gain in welfare as a percent of consumption for the whole country is 7.8 percent (or 4.3 percent of consumption); we estimate that three regions will gain considerably more: Northwest (11.2 percent), St. Petersburg (10.6 percent) and Far East (9.7 percent). On the other hand, we estimate that the Urals will gain only 6.2% of consumption, considerably less than the national average. The principal explanation in our central analysis for the differences across regions is the ability of the different regions to benefit from a reduction in barriers against foreign direct investment. The three regions with the largest welfare gains are clearly the regions with the estimated largest shares of multinational investment. But the Urals has attracted relatively little FDI in the services sectors. A additional reason for differences across regions is quantified in our sensitivity analysis: regions may gain more from WTO accession if they can succeed in creating a good investment climate.”

Impact of WTO Accession on the Russian Market(% Change From Base Year)

	Overall average
Aggregate welfare	
Welfare (EV as % of consumption)	7.8%
Welfare (EV as % of GDP)	4.3%
Aggregate trade	
Regional terms of trade (% change)	3.3%
Regional exports (% change)	1.9%
Real exchange rate (% change)	2.5%
International exports (% change)	9.4%
Return to primary factors (% change)	
Unskilled labor	4.1%
Skilled labor	4.2%
National capital	4.0%
Regional mobile capital	6.5%
Crude oil resources	4.9%
Natural gas resources	1.8%
Coal resources	10.8%
Specific capital in domestic firms	- 24.7%
Specific capital in multinational firms	101.4%
Factor adjustments	
Unskilled labor (% changing sectors)	2.3%
Skilled labor (% changing sector)	2.5%

Impact of WTO Accession on Regional Markets (Aggregate Welfare) (% Change From Base Year)



Impact of Improved External Market Access on Russia's Market: Welfare, Trade and Factor Market Effects (% of Change From Base Year)

	Average
Aggregate welfare	
Welfare (EV as % of consumption)	0.3%
Welfare (EV as % of GDP)	0.2%
Aggregate trade	
Regional terms of trade (% change)	0.1%
Regional exports (% change)	0.0%
Real exchange rate (% change)	- 0.6%
International exports (% change)	0.6%
Return to primary factors (% change)	
Unskilled labor	- 0.3%
Skilled labor	0.0%
National capital	0.2%
Regional mobile capital	0.4%
Crude oil resources	- 1.4%
Natural gas resources	- 2.5%
Coal resources	- 1.7%
Specific capital in domestic firms	- 0.4%
Specific capital in multinational firms	2.0%
Factor adjustments	
Unskilled labor (% changing sectors)	0.7%
Skilled labor (% changing sector)	0.7%

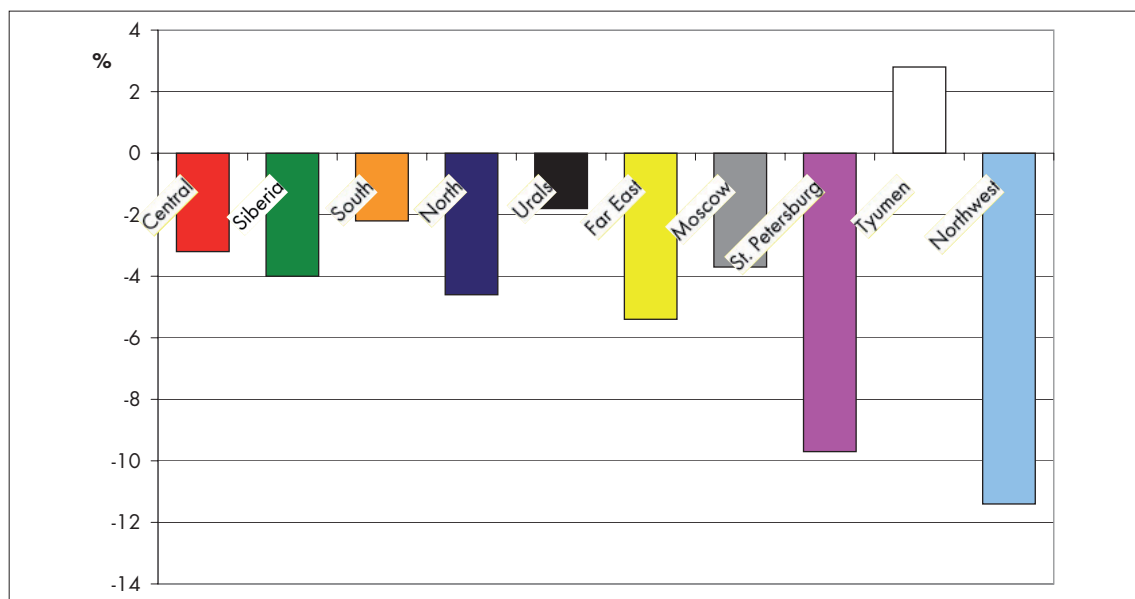
Impact of Tariff Reductions on Russia's Market: Welfare, Trade and Factor Market Effects

(% Change From Base Year)

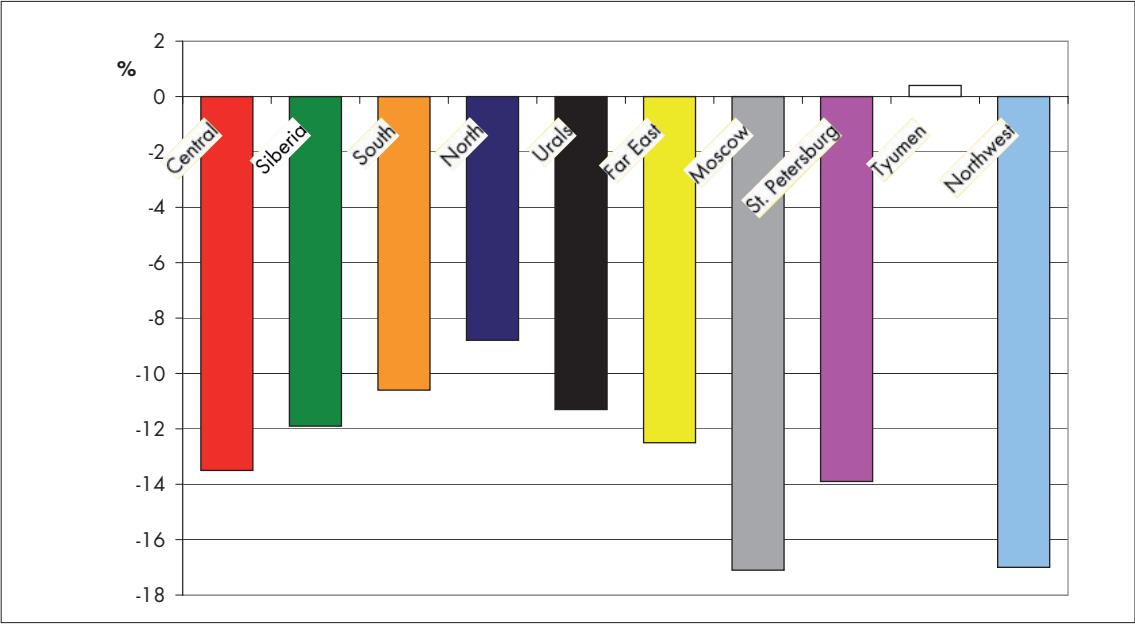
	Average
Aggregate welfare	
Welfare (EV as % of consumption)	0.7%
Welfare (EV as % of GDP)	0.4%
Aggregate trade	
Regional terms of trade (% change)	1.4%
Regional exports (% change)	0.2%
Real exchange rate (% change)	2.0%
International exports (% change)	5.5%
Return to primary factors (% change)	
Unskilled labor	1.2%
Skilled labor	2.0%
National capital	1.7%
Regional mobile capital	2.2%
Crude oil resources	2.3%
Natural gas resources	1.2%
Coal resources	3.2%
Specific capital in domestic firms	- 3.4%
Specific capital in multinational firms	10.9%
Factor adjustments	
Unskilled labor (% changing sectors)	1.3%
Skilled labor (% changing sector)	0.9%

Impact of WTO Accession on Output by Sector and Regional Market (Percentage Change)

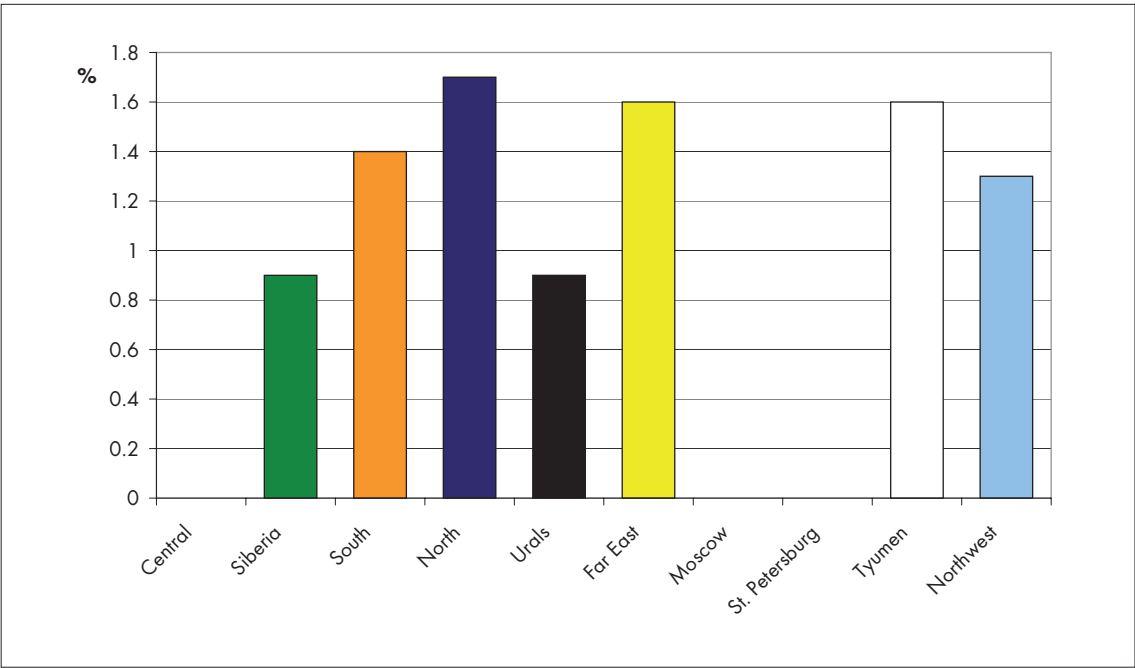
Agriculture & Forestry



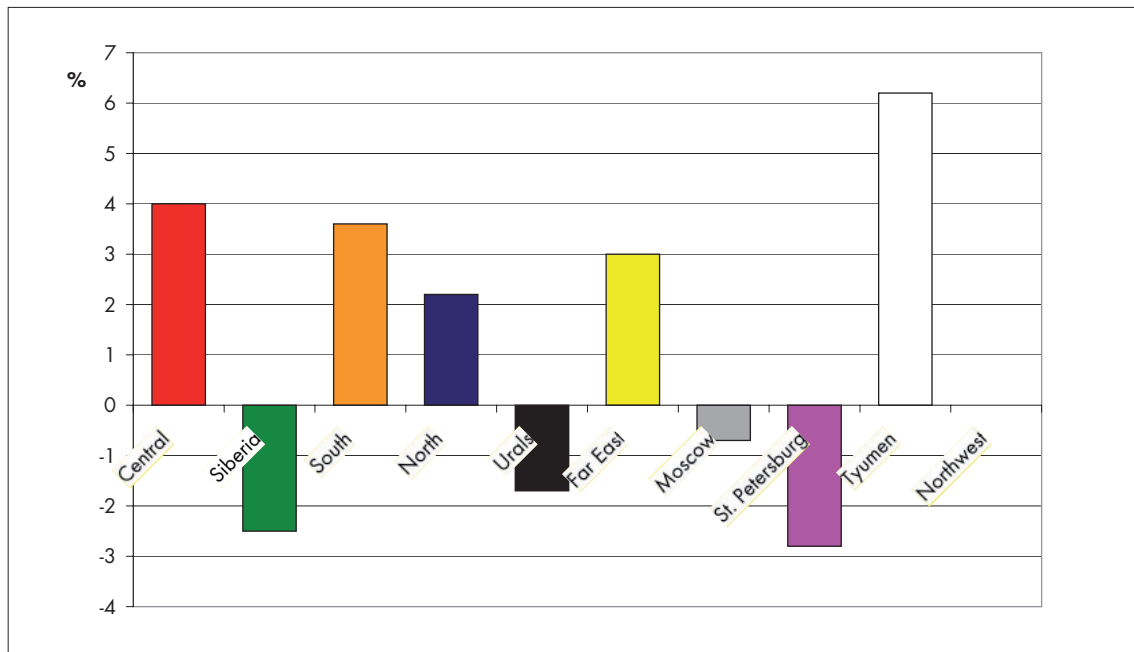
Food Industry



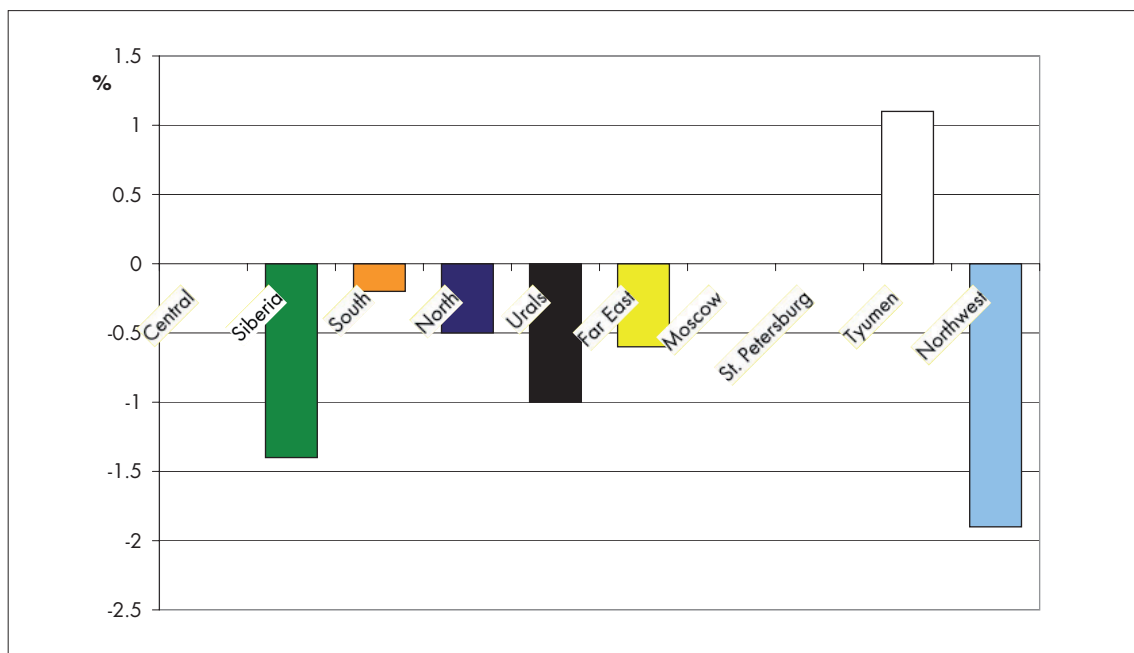
Crude Oil Extraction



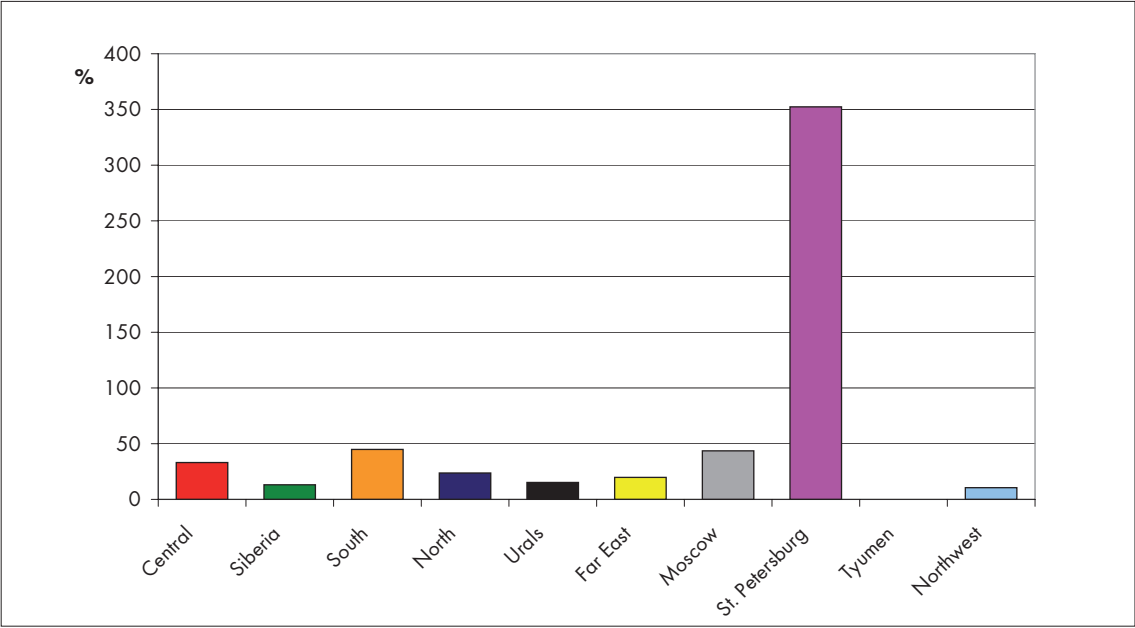
Oil Refining & Processing



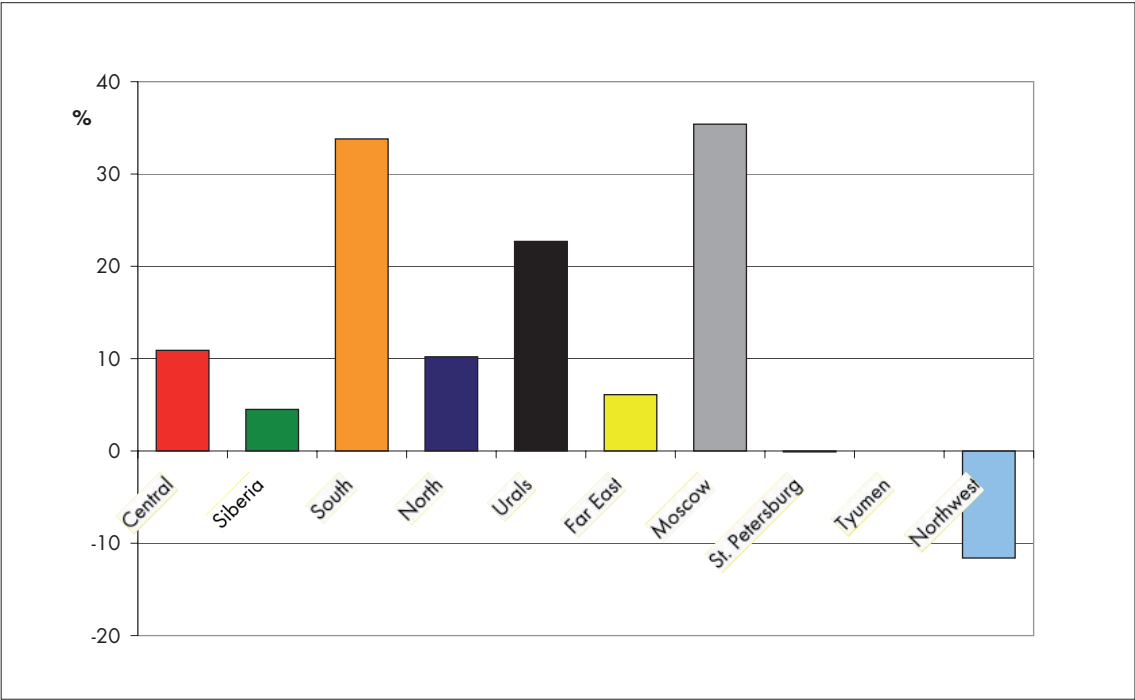
Gas



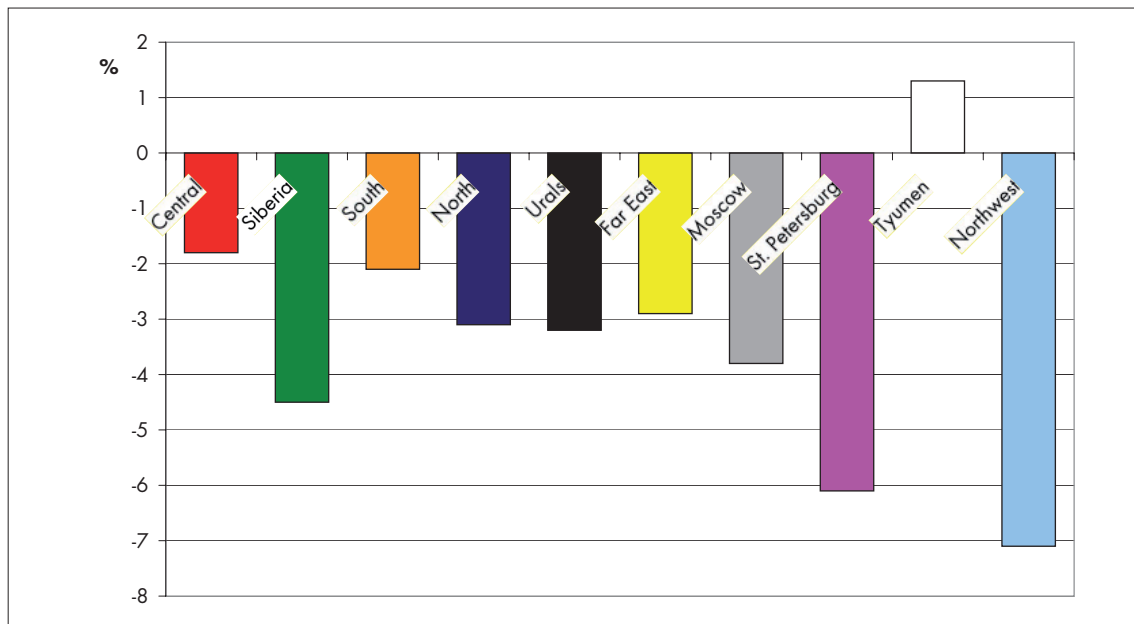
Ferrous Metallurgy



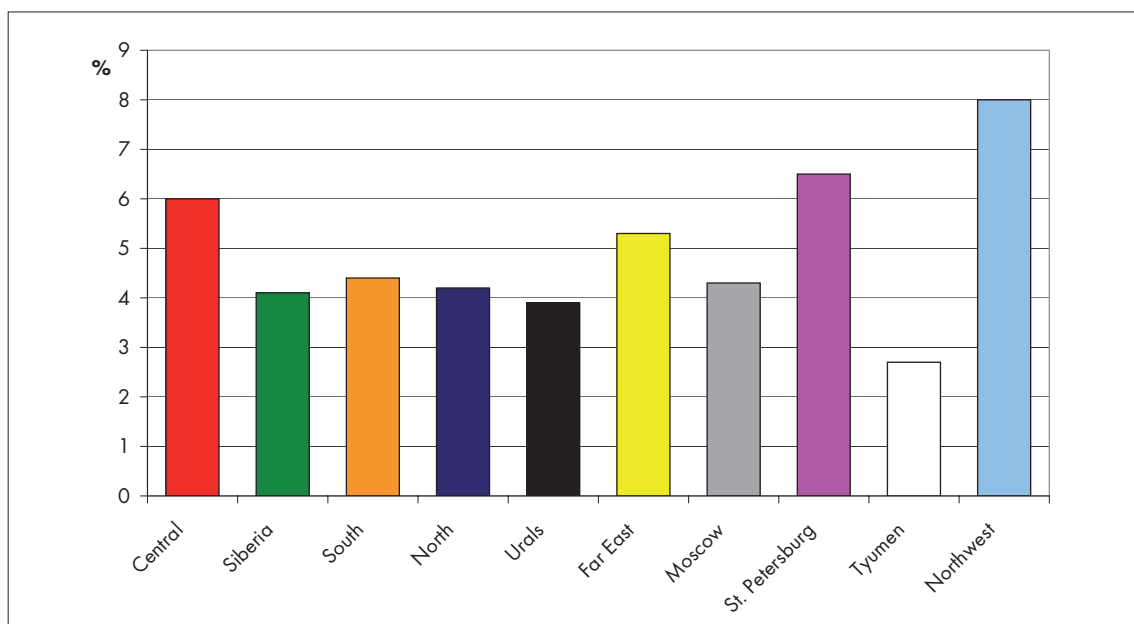
Non-Ferrous Metallurgy



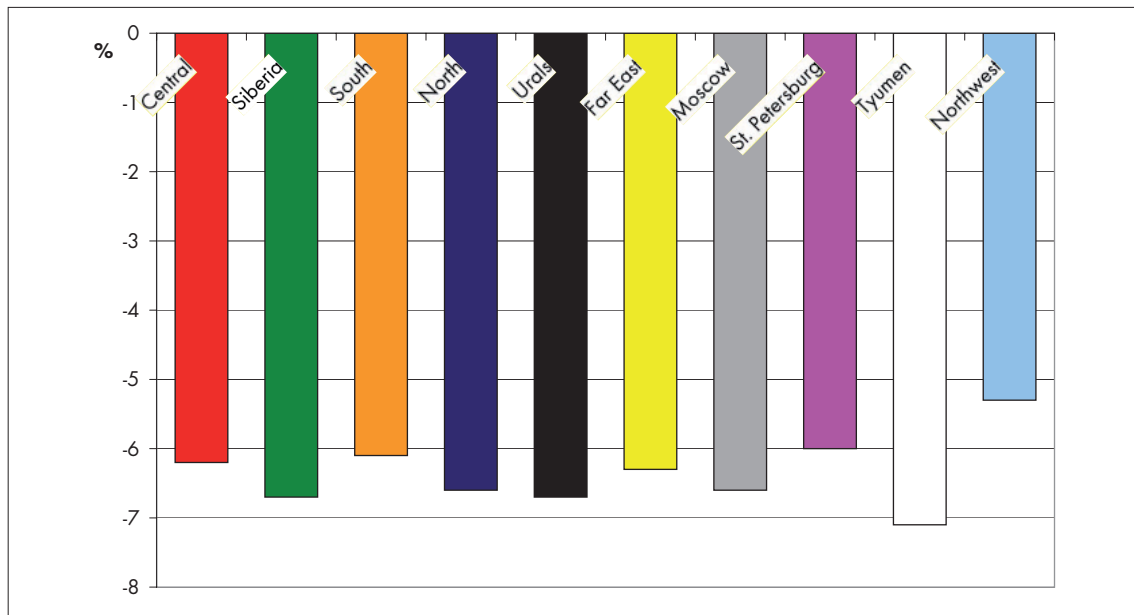
Textiles Apparel



Wholesale & Retail Trade



Financial Services



Impact of WTO accession on output by sector and regional market (percentage change)
(Data used for the preceding graphs)

Good	Central	Siberia	South	North	Urals	Far East	Moscow	St. Petersburg	Tyumen	Northwest
Agriculture & forestry	-3.2	-4.0	-2.2	-4.6	-1.8	-5.4	-3.7	-9.7	2.8	-11.4
Food industry	-13.5	-11.9	-10.6	-8.8	-11.3	-12.5	-17.1	-13.9	0.4	-17.0
Crude oil extraction	-	0.9	1.4	1.7	0.9	1.6	-	-	1.6	1.3
Oil refining & processing	4.0	-2.5	3.6	2.2	-1.7	3.0	-0.7	-2.8	6.2	-
Gas	-	-1.4	-0.2	-0.5	-1.0	-0.6	-	-	1.1	-1.9
Ferrous metallurgy	33.1	13.1	44.8	23.7	15.2	19.7	43.6	352.3	-	10.5
Non-ferrous metallurgy	10.9	4.5	33.8	10.2	22.7	6.1	35.4	-0.1	-	-11.6
Textiles apparel	-1.8	-4.5	-2.1	-3.1	-3.2	-2.9	-3.8	-6.1	1.3	-7.1
Wholesale & retail trade	6.0	4.1	4.4	4.2	3.9	5.3	4.3	6.5	2.7	8.0
Financial services	-6.2	-6.7	-6.1	-6.6	-6.7	-6.3	-6.6	-6.0	-7.1	-5.3

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